



Daily Report

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Daily Report China

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General

Wu Xueqian at New Year's Ministry Reception

OW301719 Beijing XINHUA in English
1448 GMT 30 Dec 87

[Text] Beijing, December 30 (XINHUA)—The Chinese Ministry of Foreign Affairs gave a New Year reception here this evening for diplomats and their wives.

State Councillor and Foreign Minister Wu Xueqian was present on the occasion. China artists gave performances at the reception.

Yearender on 'Peace, Development' in 1987

OW291803 Beijing XINHUA in English
1628 GMT 29 Dec 87

["Yearender: Peace and Development, Two Historical Trends (By Tang Tianri)"]—XINHUA headline]

[Text] Beijing, December 29 (XINHUA)—1987 saw a few fresh changes in the international situation following two historical trends — peace and development.

People throughout the world, particularly in Third World countries, have made immense efforts to safeguard peace. The international community has continuously called for an end to the arms race and the realization of true disarmament. It has demanded a check of aggression and expansion and sought for solutions to regional conflicts.

It was against this background that U.S. President Ronald Reagan and Soviet leader Mikhail Gorbachev signed in Washington in early December a treaty on the elimination of all medium- and shorter-range missiles. Although these weapons only account for about 3 percent of the nuclear arsenals of the two superpowers, yet it is the first time in postwar history that they decide to cut and scrap part of their own nuclear arms. It is seen as an encouraging first step.

In addition, the two leaders also claimed that they would strive to reach and sign another agreement during the first half of next year to reduce by 50 percent their strategic nuclear weapons. It would benefit world peace if the United States and the Soviet Union could both follow the way toward disarmament in real earnest.

The two superpowers still possess extremely large numbers of nuclear arms as well as conventional forces. There is a long way to go towards abolition of war. Therefore, the international community sincerely hopes that the two countries will truly stop arms races of all categories — nuclear and conventional, on earth and in space, and further cut various sorts of arms by a big margin.

In the past year, developments in some regions grappling with longstanding regional wars clearly show that it will not do to pursue aggression and expansion against other nations or to interfere in other nations' internal affairs by force. Only through negotiations can regional conflicts reach just and reasonable solutions.

While the opponent parties in a few hot spots, including the escalating Gulf war, are still militarily deadlocked, they are engaged in frequent diplomatic activities and putting forward various kinds of proposals and formulas in seeking political settlements to the conflicts.

The 42nd U.N. General Assembly adopted, more overwhelmingly than last year, resolutions calling on the Soviet Union and Vietnam to withdraw their troops from Afghanistan and Kampuchea respectively, and the United States to stay away from Nicaragua. The U.N. Security Council passed Resolution 598 calling for a ceasefire between Iran and Iraq in a bid to end the Gulf war. The U.N. General Secretary Javier Perez de Cuellar and countries concerned are making efforts to urge Iran and Iraq to implement the resolution. The signing of the Central American peace accords has made the peace process in this region more hopeful. All these prove that peaceful solution to regional conflicts reflects the trend of the times and the desire of the people. In 1987, with the rapid development of new technological revolution, nations of all kinds in the world have been focusing their attention onto economic development, especially the adjustment of economic structures and the reform of economic systems. This year, the imbalance and instability of the economy of the Western world distinctly grew, such as the continuous decline of the dollar, the upheaval of exchange rates and the drop of stock prices.

In order to increase competitiveness and raise productivity, the developed nations have been shifting and reforming the structures of those labour-intensive enterprises by using new technology. It is widely predicted that the large-scale reform will last until the end of this century. While the United States, Japan and Western Europe are locked in fierce competition, they have also paid attention to the coordination of their macroeconomic policies and they did gain some achievements. Owing to their own interests such coordination efforts are limited.

As for developing countries, they, too, have been active in reforming their economic structures, adjusting their economic policies and developing their national economies in an effort to overcome their difficulties and adapt themselves to the changing world economy. Meanwhile, the developing nations have strengthened regional cooperation and coordinated their positions in face of the existing interdependent and inter-conflicting South-North relationship. Such cooperation was shown in the convention of African economic summit, eight Latin American nations' summit and the 3rd ASEAN summit.

The socialist countries are also undertaking various forms of economic reform. After summing up their experience they have taken many new measures according to their own conditions on a wider and more deep-going basis. Although each of them was met with resistance and difficulties, reform represents a general trend and popular feeling.

Peace and development are two mutual-promoting trends: Peace is the imperative pre-condition of development while development helps maintain peace. The limited detente which characterizes the world situation might continue to develop along a twisted path of rapprochement and tension.

Commentator Assesses 1987, INF Treaty
HK310931 Beijing CHINA DAILY in English
31 Dec 87 p 4

[By CHINA DAILY commentator]

[Text] With the midnight chimes signalling the end of 1987, it is fitting to assess what the outgoing year has brought to the world in terms of peace and development, the two cardinal issues confronting humanity.

After six years of arduous bargaining, the superpowers earlier this month signed the intermediate nuclear forces (INF) treaty, pledging to destroy an entire category of nuclear weapons over a period of 13 [as published] years. Though it will involve only 4 percent of their nuclear arsenals, it is nonetheless significant in that for the first time an agreement was reached to slash rather than limit nuclear weapons. Domestic social and economic pressure within the superpowers contributed to the agreement, but it still was a victory of reason and political wisdom.

It is now the fervent wish of the world's people that both countries move forward to an agreement to cut half of their strategic nuclear weapons next year as they promised. Moreover, they must also negotiate in earnest on the reduction of conventional armaments and the elimination of chemical weapons.

With regard to regional conflicts, the year by and large witnessed not solution nor aggravation, but prolongation.

However, foreign interference is increasingly unpopular in the eyes of the people. That is why more members of the United Nations called for the Soviet Union and Vietnam to pull out of Afghanistan and Kampuchea. And the United States was urged to cease interfering in Nicaragua.

The war between Iran and Iraq, now in its eighth year, is still a cause of grave concern throughout the world. It has continued to take a heavy toll of lives on both sides and cause misery to civilians. It is fraught with still graver danger because merchant vessels in the Gulf have

become targets of attack—threatening the political and economic interests of countries in the Gulf and around the world. Mediation, including by the United Nations, has so far failed to yield positive results. But as the proverb goes, it is a long lane that has not turning. The sooner that turning comes, the better.

If the INF treaty was a bright spot in the efforts to maintain peace in 1987, there was no such encouraging sign with regard to world economic development. Instead, the picture was rather disturbing.

The Western economy advanced at the slow rate of 2 to 3 percent for the whole year. Yet, fluctuations were violent in exchange rates, with the U.S. dollar dropping sharply. The October stock market crash revealed the vulnerability of the American economy and the long-standing contradictions among Western countries. A recession cannot be ruled out.

The developing countries are faced with even greater difficulties, especially since there was no improvement in their terms of trade.

The debt burden of many developing countries, especially in Latin America and Africa, grew more unbearable—so much so that it is turning into a political rather than just an economic problem. Retrenchment measures aimed at reducing their current account deficits hamper domestic economic development. Some countries face even higher inflation, lower employment rates and economic stagnation.

Even worse, the spectre of famine is again haunting some African countries, especially Ethiopia. Unless adequate relief arrives in time, the tragedy of three years ago could recur.

More and more people have come to realize the countries in the North must take more effective measures to help the developing countries cope with the debt crisis and resume faster growth. Such a development will also be in the interests of the North.

On balance, the outgoing year was not an overly gloomy one. But it was far from a bright one because hot spots around the world did not cool down, the world economy suffered convulsions, and no improvement in North and South relations was apparent. To maintain peace and promote development, more efforts need to be made in the year that begins tomorrow.

United States & Canada

Spokesman Refutes Charge Against Diplomats
HK310334 Beijing XINHUA in English
0308 GMT 31 Dec 87

[Text] Beijing, December 31 (XINHUA)—A Chinese Foreign Ministry spokesman said here today the charge made by the U.S. side against two Chinese diplomats in the United States is a frame-up.

He said, "we have lodged a strong protest with the U.S. side against such action and reserve the right to react further."

The spokesman made this statement when reporters asked him to comment on the remarks of a U.S. State Department spokeswoman that two Chinese diplomats in the United States have been asked to leave the U.S. for engaging in activities incompatible with their diplomatic status.

'Guardians of Human Rights' Silent on Israel

OW291919 Beijing XINHUA in English
1838 GMT 29 Dec 87

["Commentary: Why Did They Keep Silent? (By Li Yanning)"]—XINHUA headline]

[Text] Washington, December 28 (XINHUA)—The U.S. congressmen who always claim to be the guardians of human rights have not had anything to say about the brutal killing of Palestinians in the occupied territories of Israel.

The killings of 21 Palestinians and the wounding of more than 500 during the past three weeks have shocked the international community and drawn strong international condemnation. Even some fair-minded journalists in the United States are now wondering about the silence of these congressmen.

In the December 27 WASHINGTON POST, columnist Mary McGrory pointed out that she had combed "the pages of the congressional record for the last 10 days of the session" without finding a single reference to the "shameful events" in the occupied territories.

"On the West Bank," McGrory wrote, "Israeli soldiers have been clubbing unarmed teenage Arab demonstrators into the ground. The week before Christmas, having terrorized relatives of patients who were waiting in the courtyard, Israeli troops stormed into an Arab hospital and beat up doctors and nurses."

"If the 21 killed and scores wounded had been Israelis, you can imagine the outcry," the columnist noted, "but the casualties were Palestinians, who are voiceless here, and the silence on Capitol Hill was awful."

McGrory also cited a statement by a U.S. congressman that, she said, was made "more forthrightly." The congressman was quoted as saying that "nobody spoke out" because of fear of the "Israeli lobby" and "Jewish constituency."

The words by the congressman were indeed forthright and quite to the point. They made clear that those U.S. congressmen who like to meddle in the internal affairs of other countries on charges of "violations of human rights" are more concerned about their political interests than they are about human rights.

'Roundup' on Decline of U.S. Dollar

OW301150 Beijing XINHUA in English
1030 GMT 30 Dec 87

["Roundup: U.S. Dollar May Hit New Lows in Coming Months (By Xia Zhaolong)"]—XINHUA headline]

[Text] New York, December 29 (XINHUA)—The U.S. dollar, which has been declining over the past two years, is likely to hit new lows in the coming months.

On the international foreign exchange market, the dollar is currently bid at 123 Japanese yen and 1.59 Deutsche marks, the lowest margins since the Second World War.

Previously, currency dealers set one dollar-130 yen and one dollar-1.6 mark as the most important barriers, but both have been breached during the last three weeks.

"There is simply nothing in place to back up the U.S. currency now and the accord by the (group of) seven nations failed to halt the dollar's slide, as it contains no specific policy measures to achieve the proclaimed goal," James Moore, vice president of the Chemical Bank, said today.

The seven industrial nations said in a statement last Tuesday that they would cooperate to stabilize the exchange rates since further devaluation of the dollar could be counterproductive to global economic growth prospects.

The seven industrial nations are the United States, Canada, Japan, France, Italy, Britain and Federal Germany.

The dollar, however, continued to plunge to its current level from the 1:126 yen and the 1:1.63 mark trading rates at the time the statement was issued.

The weakening dollar is sending a chilling wave across world stock markets. At the New York Stock Exchange, the Dow Jones industrial average plummeted 78 points in the last three sessions.

Many other financial analysts in New York predict that the dollar may fall as low as 120 yen and 1.5 marks early next year if the country's final economic data turn out to be gloomy.

They attribute the dollar's continued decline to the divergent policy stances among the seven nations. In particular, the straitjacketed fiscal and monetary position of the United States poses a serious threat to the firmness of the greenback.

"Right now, any initiative to support the dollar must come from the Reagan Administration, as Japan and Federal Germany have already taken steps to lower their interest rates and spur domestic demand," veteran Wall Street economist David Jones told XINHUA in an interview.

One effective way to buttress the dollar is to raise the interest rate. But the move may slow the U.S. economy and risk a recession, a prospect that the U.S. is trying its best to avoid in a presidential election year.

The NEW YORK TIMES today quoted an unnamed Administration official as saying, "we would like the dollar to stop falling, and we are willing to intervene a little bit when it is necessary, but we are not prepared to use monetary policy to stop the decline."

The official also said that the Republican Party would be defeated if a recession occurs.

Jones, senior vice president at Aubrey and Lanston Inc., predicted that the dollar may be eventually rescued by a supporting package coming from a meeting of the seven industrial nations.

The package, he added, will probably contain a U.S. agreement to raise the discount rate and issue "Reagan bonds." The bonds will be denominated in yen or mark and issued on the overseas credit market.

"Until then," he said, "the dollar will remain very vulnerable on the world's financial markets."

Most economists think that the dollar is pretty close to the equilibrium level against other major currencies, and it is highly unlikely that it will fall too fast and too far.

John T. Arnold, vice president of the Morgan Guaranty Trust Company, said, "I do not think that the dollar will have a free fall because the market is deep and there are enough balances at this stage."

He also rejected the belief that foreign investors will pull out of the U.S. market. "Most overseas investors are for a long-term investment and will not walk away from the U.S. financial market. Those who are in government bonds and equities are looking for capital growth in the U.S., and are less concerned about the exchange market," he said.

Soviet Union

USSR Must Withdraw Troops from Afghanistan
OW310025 Beijing in Russian to the USSR
1800 GMT 26 Dec 87

[Unattributed report from Pakistan: "Be Responsible for the Affair You Started"]

[Text] Eight years have already elapsed since the Soviet armed forces occupied Afghanistan on 27 December 1979. In order to end this lengthy war, interested parties

are looking for a political solution. Since the Gorbachev Vladivostok speech in July last year, Soviet officials have often expressed hope for a solution to the Afghan question by political means. The USSR withdrew six regiments from Afghanistan last year. This year, during the USSR-U.S. Washington summit meeting, Gorbachev expressed the wish to withdraw the troops from Afghanistan within 12 months, or even sooner. This year, the Kabul regime announced a unilateral cease-fire and made a proposal for national reconciliation.

The Geneva indirect Pakistan-Afghanistan talks, which started in April 1982, have been going for 5 years. However, there are still disagreements on the key issue, the timetable of the Soviet troop withdrawal.

The Soviet authorities thought 8 years ago that they would manage to bring Afghanistan under control overnight and forever. Today, however, after 8 years, they willy-nilly have to express the wish to withdraw their troops. In the past, the Kabul regime always called the resistance forces rebels, dushmans, and counterrevolutionaries. Now, however, it is forced to speak about unification and reconciliation.

The 8-year-old history proves that the Afghan people achieved an enormous victory in the resistance war against foreign aggression and the struggle for national independence, and that the forces of justice are invincible.

On the Afghan question, the Soviet Union was subjected during the 8 years to enormous pressure in the political, military, and economic spheres. This year, the United Nations General Assembly again, with a majority of 123 votes, carried a resolution demanding the Soviet Union withdraw its troops. This attests to the fact that the international community always cares for, and resolutely supports, the just struggle of the Afghan people.

During the 8 years, the Soviet troops had more than 10,000 fatalities and an additional 30,000 became disabled. Soldiers are developing an attitude of disgust towards the war. In the Soviet Union, the voice of the Soviet people demanding to end the war becomes louder every day. Readers' letters published in the 25 November issue of PRAVDA demonstrate that the Soviet people are deeply concerned over the Afghan problem. Numerous readers ask, with pain and concern, when the war in Afghanistan is going to end. Besides, the Soviet Union carries almost the whole economic burden of the Kabul regime.

The resistance forces represent a striking contrast. As a result of the hard 8-year-old struggle, they have improved their armaments, gathered experience of the struggle, improved tactical coordination, and increased the frequency of their attacks against the enemy. According to reports, they damage 1.2 Soviet warplanes every day.

One can see from these facts that Gorbachev is quite justified in calling the war in Afghanistan a bleeding wound. However, he has not so far dared to withdraw troops, and there is only one reason for this: He is concerned about the Kabul authorities, which would not be able to exist without Soviet support.

The Kabul authorities proposed the cease-fire and reconciliation, but, in reality, they carried out large-scale offensives against the guerrillas in Qandahar, Balkh, Herat, and other places. Their powerful offensives did not stop even during the period of the unilateral cease-fire announced by the Kabul authorities. The offensives, however, were repelled by the guerrillas units. The Kabul authorities also exerted pressure on the Pakistan Government by means of provocative incidents involving bomb explosions, air raids, and artillery shelling, in an attempt to force it to change its policy.

In other words, a shift to a political solution of the Afghan question appeared this year. However, there are many obstacles on this path. The Afghan question arose as a result of the occupation by Soviet troops. That is why a path to the solution of the question concerns a withdrawal of Soviet troops.

The Soviet Union often made declarations about troop withdrawal. However, they have used many words and few deeds. While the Soviet troops remain in Afghanistan, the Afghan people will not end the resistance. This is why it is time for the Soviet Union to make a final decision: to withdraw the troops from Afghanistan as early as possible.

Northeast Asia

Commentary on Japanese Defense Budget
OW301239 Beijing XINHUA Domestic Service
in Chinese 0746 GMT 29 Dec 87

["Commentary: Recurrence of the Adverse Current" by XINHUA reporter Wang Dajun—XINHUA headline]

[Text] Tokyo, 29 Dec (XINHUA)—On the evening of 28 December, the Japanese Government held an interim cabinet meeting and formally approved a 1988 draft budget. Of the total budget, defense spending amounts to 3,700.3 billion yen (approximately equivalent to U.S. \$30 billion) or 1.013 % of Japan's projected 1988 GNP, according to government estimates. As a result, Japan has exceeded for the second time the defense spending limit of 1 % of GNP adhered to by the Japanese Government and its military expenditure ranks third in the world.

The principle which does not allow Japan's defense spending to exceed 1 % of its GNP was decided in 1976 by the Miki cabinet. It has reflected the Japanese people's hope for peace and demonstrated the spirit of the Japanese Constitution, which stipulates that Japan should not become a military power. The Ohira and

Suzuki cabinets subsequently observed this principle. At the beginning of this year the Nakasone cabinet exceeded this limit for the first time. It soon caused worries in various Asian countries and regions at that time. Those countries and regions predicted that there would be second and third instances of exceeding the limit and that there would be the danger of Japan's expansion of military power being out of control.

Japan's defense spending in 1988 will increase by 5.3 % and its rate of increase will be same as this year. The Japanese Government's increase of military spending by a big margin each year cannot help but cause uneasiness and concern in countries and regions which previously suffered from Japanese aggression. Although Japan's defense spending only accounts for about 1 % of its GNP, the proportion cannot be considered very high but its absolute value is already very large. Japan's eye-catching U.S.\$30 billion defense budget in 1988 is exceeded only by the United States and the Soviet Union. If this situation continues to develop unchecked, Japan will undoubtedly join the ranks of world military powers.

According to a report by a local news agency, an official of the Japanese Defense Agency said that regardless of next year's defense budget, the main thing is to achieve the goal of exceeding the "limit of 1 %" again. This is a pose of openly challenging justice and public opinion.

According to a report, the main purposes of Japan's increased military spending are to establish a "naval anti-aircraft system," protect "shipping lines," and purchase advanced large-scale military equipment including "war ships" [zhou si dun 1352 2448 4163]. It is quite apparent that this kind of "grand defense" plan has far exceeded Japan's need to defend its own territory.

Peace and development will be the modern trend and alleviation of tension and disarmament are the concrete evidences of that. The Japanese Government has also repeatedly stated that as the world's only country which has suffered from atomic bombs, it will make further efforts to promote peace. However, the Japanese Government has increased its military budget by a large margin while its words are still reverberating. This apparently runs counter to the worldwide trend and against the wishes of the Japanese people.

Chen Muhua Receives Japanese Students
OW310633 Beijing Domestic Service in Chinese
1426 GMT 27 Dec 87

[Text] Beijing, 27 Dec (XINHUA)—The Chinese Youth Travel Service held a reception at the Great Hall of the People tonight to welcome the fifth Japanese student delegation visiting China. State Councillor Chen Muhua attended the reception and received responsible persons of the group before the reception.

The delegation, consisting of 1,564 members who travel at their own expense, is the largest tourist group ever received by China's tourist industry, and also one which engages in the most comprehensive cultural and sports exchange. Since its arrival in Beijing on 25 December, it has begun activities in the fields of sports, art, calligraphy, and photography. Starting tomorrow, it will go to Tianjin, Nanjing, Hangzhou, and Shanghai for sightseeing and cultural exchanges. The delegation is composed of 24 sports teams and 19 art troupes. During its stay in China, it will participate in over 100 sports contests with Chinese youths and hold 20 performances.

Vice Chairman Chu Meets Japanese Visitors

OW310402 Beijing XINHUA in English
0243 GMT 31 Dec 87

[Text] Beijing, December 31 (XINHUA)—Chu Tunan, vice-chairman of China's National People's Congress Standing Committee, met here today with Kyoko Nakajima, widow of the late director-general of the Japan-China Cultural Exchange Association Kenzoo Nakajima, and her party.

Southeast Asia & Pacific

Beijing Cambodian Cites Sihanouk Statement

BK301250 Beijing in Cambodian to Cambodia
1030 GMT 30 Dec 87

[Text] On 29 December, Democratic Kampuchean President Samdech Sihanouk issued a press communique saying that at talks between the samdech and other parties, the samdech will certainly not budge from two conditions: that all Vietnamese troops in Cambodia should be pulled out in the end according to a fixed schedule; and, that the PRK should be dissolved.

In the communique, Samdech Sihanouk also said that in order to prevent the talks between the samdech and Hun Sen from favoring the Phnom Penh authorities' propaganda in international opinion and other aspects, the samdech has decided that these kind of talks in the future should be held in Pyongyang, capital city of the DPRK.

Explaining this decision, Samdech Sihanouk said the reason for this decision is due to reports that talks between the samdech and Hun Sen could influence international opinion and certain governments to recognize de facto the Phnom Penh authorities.

Newspaper Sums Up 1987 Cambodian Situation

HK221430 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 51, 21 Dec 87 p 27

[Article by Chang Yong (1603 3057): "The Cambodian Situation in 1987: New Progress Made in Struggle Against Vietnam; Activities Aimed at Political Settlement Frequent"]

[Text] By 25 December this year, Vietnam's aggression against Cambodian will have lasted 9 full years. This year, the patriotic troops and civilians in Cambodia have

made new progress in their resistance struggle against Vietnam. At the same time, various activities seeking political settlement of the Cambodian issue have become noticeably more frequent.

In this ninth dry season, the invading Vietnamese troops in Cambodia continued to carry out the so-called K-5 plan to blockade the Western borders of Cambodia and "clean up" the resistance forces inside Cambodia. However, the troops of Democratic Kampuchea had been scattered into small groups to fight the guerrilla war, and the Vietnamese Army cannot catch any major attack targets. So the scale of the dry season offensive is smaller than that in previous years. Moreover, the long battle line, the shortage of armed forces, and the difficulties in logistic support have made the Vietnamese army's blockade and "cleaning up" actions very difficult.

In the past year, new changes have occurred in the situation in the Cambodian resistance forces' anti-Vietnamese struggle. First, the National Army of Democratic Kampuchea shifted its strategy to mainly attack the village power organs of the Heng Samrin regime. It launched attacks against many village power organs all over the country, and destroyed and broke up many grass-roots power organs. According to statistics, the Democratic Kampuchean troops have liberated 3,900 villages, which account for half of the total number of villages. Second, the troops of the three parties of Democratic Kampuchea have strengthened their cooperation. They not only exchanged information and supported each other, but also took joint action to attack the Vietnamese troops. For example, on 28 January this year, troops of the three parties jointly attacked a Vietnamese army stronghold in Puok County, Battambang Province; and in March, the National Army of Democratic Kampuchea and Sihanouk's nationalist army again jointly attacked another stronghold of a Vietnamese regiment in Phnom Srok County, Battambang Province. According to a senior official of Sihanouk's nationalist army, their troops fought 28 battles against the Vietnamese, and 10 of these battles were fought jointly with the National Army of Democratic Kampuchea. The three parties of Democratic Kampuchea all feel that it is important to strengthen their military cooperation on the battlefields, because this will enable them to strike harder blows at the Vietnamese army. Third, soldiers of the army under the Heng Samrin regime were discontented under Vietnamese army control, and more and more of them have deserted and crossed over to the anti-Vietnamese resistance forces. Over the past year, there were many cases of companies or battalions crossing over to the resistance forces.

To extricate itself from its dire plight in Cambodia, with the support of the Soviet Union, Vietnam has carried out a series of diplomatic offensives. In March, Soviet Foreign Minister Shevardnadze visited six countries in the Asia-Pacific region and sounded out the positions of these countries on the Cambodian issue. In August,

Vietnam dished out a 6-point policy statement on "national reconciliation" through the Heng Samrin regime. In October, it again put forth a 5-point proposal for the political settlement of the Cambodian issue in an attempt to deceive world opinion, to create a false image of Vietnam's sincerity for settling the issue, and to break up the coalition government of Democratic Kampuchea and sabotage the anti-Vietnamese struggle. However, none of these plots succeeded. The 5-point proposal was rejected by the ASEAN countries. Prince Sihanouk pointed out that Heng Samrin has no right to be appointed to any position. He emphasized that only after Cambodia wins 100 % independence will he return to Phnom Penh. At the 42nd UN General Assembly this year, many countries once again condemned Vietnam's crime of invading Cambodia and revealed Vietnam's sinister plots. On 15 November, the UN General Assembly once again passed a resolution with an overwhelming vote of 117 (two more than last year's tally), demanding that Vietnam withdraw all its troops from Cambodia.

This is the 5th year of the Coalition Government of Democratic Kampuchea. The tripartite coalition government has stood various tests and successfully led the Cambodian people in fighting against the Vietnamese aggressors. This year, leaders of the three parties have separately visited many countries to expose Vietnam's aggression against Cambodia and to solicit support from the international community for the 8-point proposal for the political settlement of the Cambodian issue put forth by the CGDK in March 1986. To date, the 8-point proposal has won support from 56 countries. In late August and early September, the leaders of the three parties jointly led a delegation to visit China, and issued a joint communique, stating that they would continue to join hands in resisting Vietnam. Representatives of the three parties have also frequently held meetings to coordinate their military actions and mutual relations. Some new conditions have appeared this year. In May, Prince Sihanouk announced that he would suspend his term of office as president of Democratic Kampuchea. In early December, Prince Sihanouk and Hun Sen, "prime minister" of the Heng Samrin regime, held a meeting in their personal capacities in a French town, Fere-en-tardenois, and signed a joint communique, stating that the two sides had reached agreement on four points: the Cambodian issue should be solved by political means; the problems in Cambodia should be solved by the Cambodian people themselves through negotiations between the conflicting parties so as to terminate the war and rebuild a peaceful, democratic, sovereign, neutral, and nonaligned Cambodia; once an agreement is concluded by all parties in Cambodia, an international conference should be held to guarantee the implementation of the agreement and guarantee Cambodia's independence and Southeast Asia's peace and stability; the two sides also agreed to hold another meeting in Fere-en-tardenois in January 1988. On 9 December, however, Prince Sihanouk announced that he had called off the meeting with Hun Sen planned for next spring. In his telegram to Hun Sen, he said that if the other two parties of the CGDK

agree to participate in the talks, the meeting may be resumed. On 10 December, Prince Sihanouk issued a handwritten statement to the press, pointing out that Prince Ranariddh had clearly demanded that the point about Vietnam's forces withdrawal be included in the joint communique, but this was not accepted.

The Cambodian battlefield has entered its 10th dry season. Although the Vietnamese army still holds superiority in terms of military forces, its military difficulties have become more and more obvious and prominent. It will be hard for the Vietnamese troops to score very many victories in the current dry season offensive. It is noticeable that Vietnam continues to try to win what it cannot win on the battlefield and continues to play political tricks. At any rate, it will not easily change its position of setting up a government headed by Heng Samrin and will stick to the precondition of removing some leaders of Democratic Kampuchea to form the proposed government. The common desire of the three parties of Democratic Kampuchea is to jointly fight against Vietnam and drive the Vietnamese aggressors out of Cambodia. Unity is the common requirement of the three parties, because this is in keeping with the national interests of Cambodia. World opinion has also pointed out that the key to the settlement of the Cambodian issue still lies in the withdrawal of all Vietnamese troops from Cambodia.

Near East & South Asia

News Analysis on Palestinian People's Revival

OW260829 Beijing XINHUA in English
1527 GMT 25 Dec 87

["News Analysis: New Awakening of Palestinian People in Occupied Territories (By Chen Peiming and Yen Yijiang)"]—XINHUA headline]

[Text] Beijing, December 24 (XINHUA)—The 2-week-long struggle of Palestinians in the occupied territories against Israel's military crackdown has shaken the latter's 20-year rule and amazed the world public opinion, demonstrating the resolve of people in these areas to stop tolerating the occupation and fight the Israelis in unity with Palestinians outside the territories.

The burst of unrest was by no means accidental, but had deep political, economic, and social causes. A new upsurge appeared in the struggle waged by 1.4 million Palestinians in Gaza and the West Bank in the past year, a phenomenon rarely seen for years in the territories. Early this year, young Palestinians took to the streets and clashed with Israeli soldiers. Last June, a widespread strike by Palestinian workers took place. In October, there occurred a demonstration of more than 10 days against Israel's violent oppression, in which 70 Palestinians were injured and 300 others detained. In November, another large-scale strike was held during celebrations of the Balfour Declaration, organized by Israeli authorities on its 70th anniversary. The demonstrators' slogans

"Down with Israel" and "Liberate Palestine" defined their goal of regaining the right to Palestine's existence as a nation and showed new awakening of Palestinians in the territories.

What is notable is the fact that the younger generation of Palestinians in the areas have come to the forefront of confronting the Israelis in recent years. Brought up under the guns of the enemy, they know nothing but the word "occupation." They have no political rights, no equal opportunities to get jobs, and no houses with sewers and other necessary facilities. They long wished for a long-term solution through the international community to change their miserable life, but they have lost their hope after years upon years of waiting. The road leading to a just and fair solution has been blocked by Israel and the United States. "We don't need anybody to tell us that we hate the occupation," a young Palestinian demonstrator in Gaza said. "We are so desperate that we have stopped being afraid of Israeli guns."

The Palestine Liberation Organization (PLO) decided at the conference of the Palestinian National Committee last April to strengthen its support for the struggle in the occupied territories. This has greatly encouraged the Palestinians facing Israeli guns. The sufferings of the Palestinian refugees in Lebanon in the past 2 years made those in the occupied territories aware of the fact that they can survive only through their own fight. As a result, the flames of the Palestinians' struggle raged more and more fiercely. The fight may have ups and downs under Israel's frenzied crackdown, but nobody can check the general trend.

The struggle shows that the Palestinians in the territories have inseparable ties with the PLO. In the past 2 weeks, the demonstrators held Palestinian flags and portraits of

PLO Chairman Yasir 'Arafat and put up slogans on walls along streets in support of the PLO. In the city of Gaza, the marchers carried the coffin, covered with the Palestinian flag, of Hasan Jarhoun, a 25-year-old Palestinian killed by Israeli soldiers. This was evidence of the failure of the United States and Israel to break the ties of Palestinians in the occupied territories with the PLO.

The struggle also demonstrates to the world that there will be no peace in the Middle East without a long-term solution to the Palestine issue. Although the current crisis in the Gulf has taken the world's heed away from the Palestine problem and pinned down the strength of the Arab countries in the war against Israel's expansionism, the Palestine issue is still on top of the Middle East political agenda.

Latin America & Caribbean

Uruguay To Decide on Diplomatic Ties

OW310727 Beijing Domestic Service in Mandarin
1500 GMT 30 Dec 87

[Text] Uruguayan President Sanguinetti said on 29 December that it is time to finally decide on the establishment of diplomatic ties with China. He said: Needless to say, it is important to establish relations with China. He indicated that after exploring for the past 2 and 1/2 years, the next few weeks will be the time to make the final decision. He said that his country's foreign policy should be dictated by its national interests and goals. He pointed out that it is necessary for Uruguay to consider the interests of foreign trade.

Uruguay's trade with China has been growing since the beginning of this year. Uruguay is one of the few Latin American countries that has not established diplomatic relations with China.

Beijing Under Fire for Dalai Lama 'Leak'
*HK31314 Hong Kong SOUTH CHINA MORNING
POST in English 31 Dec 87 p 1*

[By John Steinhardt]

[Text] Three days after the secret arrival in Beijing of the Dalai Lama's elder brother, Mr Gyalo Thondup, the Tibetan government-in-exile has accused the Chinese Government of breaking the rules of secret diplomacy.

A confidential document given to Mr Thondup on a previous visit following the riots in Lhasa was found to have been circulated among Chinese and Chinese-appointed officials in Tibet, according to Mr Tashi Wangdi, who is one of only three ministers in the Tibetan government-in-exile.

The document was a detailed memorandum of discussions in which the Dalai Lama was condemned by Chinese Government negotiators for his activities in the United States and alleged instigation of the riots in the Tibetan capital of Lhasa which claimed in least six lives.

"It was signed by Mr Yang Mingfu, director of the United Front Work Department, and was given to Gyalo Thondup for personal delivery to the Dalai Lama on his departure in mid-October," said Mr Tashi, whose portfolio covers foreign affairs.

"We had understood that the exchange of views was confidential, so we were a little surprised to find that the information was leaked.

"However, we've had the same difficulties in the past, in fact, ever since 1979."

The memorandum was circulated to party and Government officials in Lhasa and other major towns.

The intended effect was twofold, analysts knowledgeable about Sino-Tibetan relations said yesterday.

In the first instance, the leak would help create and clarify a party line, ensuring that any views aired by party members or others conformed with the official thinking.

These views could in turn be used to demonstrate the existence of a groundswell of loyalist Tibetan public opinion.

Secondly, the analysts said, the fact that the document was delivered into the hands of the Dalai Lama could in practice be extended to imply his acceptance, if not endorsement, of its views.

This would demoralise Tibetans who saw the autumn demonstrations as a prelude to the Dalai Lama's return to power.

"We have refuted all the Chinese charges point by point and we have reiterated our desire to have a negotiated settlement in Tibet based on the Dalai Lama's five-point proposal," Mr Tashi said.

"We are keeping all the options open, and we are willing to send a full delegation to sit down and discuss the issues. Now the ball is really in the Chinese court."

Zhao Ziyang Inspects Jiangsu's Xuzhou City
*OW311255 Nanjing Jiangsu Provincial Service
in Mandarin 2300 GMT 30 Dec 87*

[Text] On 25 December, Comrade Zhao Ziyang, General Secretary of the CPC Central Committee, inspected work in Xuzhou, an ancient city, and offered many important opinions on how the city could further carry out reform, open to the outside world, and promote economic construction.

Comrade Zhao Ziyang was briefed by (Zheng Liangyu), secretary of the city party committee, inspected two engineering machinery plants in Xuzhou, and visited the memorial tower and memorial hall dedicated to martyrs in the Huaihai battles.

When the city party committee comrade talked about exploiting local resources and mapping out the strategy for Xuzhou City's economic development, Comrade Zhao Ziyang said: You have favorable conditions here. The Longhai Railway and Lianyungang Port are nearby. You have coal and limestone, and have great potential for developing exports of building materials, which are an important source of funds for the four modernizations drive and should receive great attention.

Comrade Zhao Ziyang was concerned about whether Xuzhou City has paid attention to encouraging competition while implementing the contracted responsibility system for enterprise operation. He said: Whether or not bidding is used in contracting makes a great difference. In the future, contracting committees specifically designed to hold public biddings can be formed in cities. There is a question of contracting baseline here. If the baseline is high, contracting activities can relax a little. If the baseline is low, then more contracting activities should be held. Too many contracting activities all at once probably would not work. The contracting baseline should be compared among units at the same level, not from the top down. But this takes time.

Touching upon the use of profits retained by enterprises, and the control of the increase in consumption funds, Comrade Zhao Ziyang said: Are profits retained by enterprises mainly used to expand reproduction or issue bonuses? As regards contracting, the criterion for macro-surveys poses a question. We should remain flexible while fulfilling certain criteria. At least, enterprise leaders should be informed about this. The money entrusted to them is intended for technical transformation. Backward factories, in particular, should carry out more

technical transformation in order to cultivate greater power for sustained development. Enterprises with a lot of money may set up risk funds to insure themselves against future losses.

Comrade Zhao Ziyang also talked about destabilizing factors in economic life which are caused by rising prices of raw and semifinished materials and have affected investment. He emphasized that prices go up when demand for raw and semifinished materials is greater than supply. [words indistinct] becomes substandard products. Goods included in state plans should stick to prices fixed in the plan, while goods not included in state plans may call for higher prices, but within certain limits. Transactions of goods should be concluded in the market. Failure to do so will be denied shipping by railway and highway departments.

During his inspection in Xuzhou, Comrade Zhao Ziyang was accompanied by Zhao Dongwan, minister of labor and personnel; Ruan Chongwu, vice minister in charge of the State Science and Technology Commission; Zhang Yanning, vice minister of the State Economic Commission; and Zhang Ge, deputy director of the State Council's Office of Special Economic Zones.

Li Peng Outlines 1988 Economic Goals
OW311250 Beijing XINHUA in English 1244 GMT
31 Dec 87

[Text] Beijing, December 31 (XINHUA)—The State Council's central tasks for the coming year are to stabilize the economy and deepen the economic reforms, acting Premier Li Peng said here Wednesday.

Speaking to a plenary meeting of the State Council, Li said efforts will continue to be made to increase production and income while practising economy and controlling spending.

Li said that stabilizing the economy has been a consistent policy of the Chinese Government.

Agriculture must be stressed, Li said, adding that the scale of the basic construction and consumption funds must be further controlled, and spending and borrowing should be balanced.

Yet, he warned, development should not proceed at too high a speed.

On the basis of developing production and raising economic efficiency, he said, efforts should be made to stabilize urban and rural markets and actions taken to guard against price-hikes.

Li said the steady development of the national economy hinges on strictly controlling spending and issuance of banknotes and achieving a balance between demand and supply and lessening non-productive activities.

He said that state spending and administration costs should be cut or strictly controlled to avoid waste and extravagances.

He called on government departments to take the lead in setting an example of hard work and thrift by minimizing meetings and rewards, exhibitions, and limiting travel at public expense.

Li said next year's reform will focus on extending the contract responsibility systems of enterprises, improving leadership and management of enterprises and raising their economic efficiency.

On the agenda are reforms to investment procedures, materials handling and foreign trade. Preparations must be made for reforms on the planned economic system, tax system and housing.

Science and technology and education will also be strengthened by reforms next year to encourage greater personal initiative.

Li stressed the need for dialogues between the people and governments at all levels to solicit opinions and gain support and understanding.

He said that the Communist Party's Political Bureau has agreed in principle a draft plan to streamline the central government.

The draft plan will be submitted to the First Plenary Session of the Seventh National People's Congress for examination and approval next March.

Li Peng urged all government departments to make all preparations for the streamlining. But at present, all government employees must stand fast at their posts and fulfil their duties.

Also speaking at the state council meeting were Vice-Premiers Wan Li, Yao Yilin and Tian Jiyun. The meeting was also attended by State Councillors Fang Yi, Chen Muhua, Zhang Aiping, Wu Xueqian, Wang Bingqian, and Song Jian as well as ministers and heads of government departments directly under the State Council.

Commentator on Emancipating Minds
HK310335 Beijing RENMIN RIBAO OVERSEAS
EDITION in Chinese 31 Dec 87 p 2

[Commentator's article: "Orientating Toward the Practice of Modernization Endeavor and Reforms—on Emancipating the Mind and Enriching the Theories"]

[Text] The 13th CPC National Congress has put forward the theory on the initial stage of socialism and formulated the party's basic line for this historical period. Our party has attained this theoretical achievement by integrating the basic tenets of Marxism with China's modernization program. To penetratingly conduct education

in the party's basic line in the initial stage of socialism, it is necessary to educate the whole party in conscientiously studying and grasping the Marxist stand, viewpoints, and methods; in learning to integrate Marxism more satisfactorily with the practice of China's construction and reforms; and in further enriching and developing Marxism-Leninism-Mao Zedong Thought in the course of practice.

The formation of the theory on the initial stage of socialism and the party's basic line is the result of emancipating the mind and seeking truth from facts. Since the 3d Plenary Session of the 11th CPC Central Committee, we have re-established the Marxist ideological line, taken "Emancipate the mind, seek truth from facts, and unite in looking ahead" as our basic slogan, and established practice as the only criterion to verify the truth. Ideologically, we have broken the shackles of dogmatism and, in practice, we have broken the fetters of the previous rigid patterns, enabling us to embark on the broad road of building socialism with Chinese characteristics. It is precisely because we have advanced along this road that, over the past 9 years, we have not only scored tremendous historical successes but also enriched and developed Marxism through new practices and instilled youthful vitality to the theory of scientific socialism. Marxism is a branch of learning that constantly develops in practice and its development process is one of emancipating the mind and seeking truth from facts.

By emancipating the mind we mean that we should be bold in facing reality, reunderstand socialism, and restudy Marxism under the new historical conditions, thus discarding those isolated conclusions of a somewhat utopian nature drawn under historical constraints, doing away with the dogmatic understanding of Marxism, and liquidating the erroneous viewpoints attached to the name of Marxism, so that the theory of scientific socialism can develop through the new practices. From the point of view of the process of cognition, this represents an approach of seeking truth from facts. It calls for efforts to free ourselves from the bondage of some accepted labels or models and our unconditional obedience to the judgment of practice. It is this approach that has enabled us to conclude that China is still in the initial stage of socialism and, proceeding from this basic national condition, we have drawn the conclusion that developing the productive forces is central to all our work. There should be no end to the process of emancipating the mind. That is to say, just as our practice has no bounds, neither should our efforts to understand the realities of China and its modernization endeavor and reforms. There is one limit or restriction in this regard, that is, in studying questions and undertaking theoretical research, on no account must we depart from China's national conditions and reality and adversely affect the development of the productive forces. In short, we should proceed from reality in everything and take everything conducive to the development of the productive forces as our fundamental criterion. This is the

guiding ideology for all our work. It is also the general principle for our theoretical work. Herein lies our theoretical courage as well as our rigorous approach.

The approach of seeking truth from facts runs diametrically counter to that of following the beaten track. Our practice is developing and, to enable our theoretical work to keep in step with practice and serve its needs, we cannot but provide ourselves with the fearless spirit of exploration and exuberant vitality of creation. The great, rich, and lively practice of modernization and reform for 1 billion people strongly calls out for theoretical development and has created unprecedentedly favorable conditions for theoretical development. However, the state of Marxist theoretical construction in our party and the overall theoretical and cultural development under the guidance of Marxism still lag far behind the requirements of this great cause. In order to change this state of affairs, we still have to make great efforts in many aspects. It is important to encourage people to make explorations and break fresh ground in practical work and to adhere to the policy of "Letting a hundred flowers blossom and a hundred schools of thought contend" in theoretical research. Our party's history shows that whenever there is a good atmosphere for theoretical exploration and creativity, we are able to achieve remarkable results in developing our theory, bringing vitality to Marxism, and making our cause thrive. An example of this was the Yanan period. People can describe the atmosphere and style of the Yanan period from various perspectives. For example, during that period, our party was full of the spirit of self-reliance, hard work, unity, alertness, earnestness, liveliness, and seeking truth from facts. In particular, the activeness of the theoretical and ideological field, which was marked by "The blossom of a hundred flowers and contention among a hundred schools of thought," was a major component part of the atmosphere and style of the Yanan period. Our material conditions at present are much better than those during the war years, when we lived in caves and ate millet, and our strength has grown substantially. We should not, and need not, be afraid when people speak freely and air different opinions or when there is theoretical exploration and contention. Why can we not create a new Yanan atmosphere and style? Since the 3d Plenary Session of the 11th CPC Central Committee, there have been great achievements in our theoretical work as a result of carrying out the policy of "Letting a hundred flowers blossom and a hundred schools of thought contend," encouraging theoretical exploration and creativity, and pursuing the "three-no" principle. However, our theoretical work still cannot meet the needs of the developing situation, because we have not fully established an atmosphere of emancipating people's minds and seeking truth from facts in the ideological field. Only by further advocating the policy of "Letting a hundred flowers blossom and a hundred schools of thought contend" and making down-to-earth efforts in our theoretical work can we thoroughly eliminate all decadent, rude, ossified, and outmoded things, clean up dogmatism and other filthy

things that go against Marxism, boost the courage of the whole nation in making explorations and creating according to our actual conditions, and greatly develop the scientific and creative spirit of Marxism. This is the only effective way to develop our theory and our cause.

Only with a realistic ideological line, a good atmosphere for theoretical exploration and creativity, and the efforts of the theoretical workers can our Marxist theoretical contingent, with a large new force full of creative spirit, grow stronger. Studying and enriching Marxism is a task for the whole party, and this theoretical contingent is composed of the party's professional personnel for fulfilling this historical task. The fundamental way to properly build this contingent is to guide the theoretical workers to orient their work to the reality of modernization construction and reform, to the world, and to the future, and focus their attention on making theoretical explorations according to actual conditions. This is the only way to develop the theoretical contingent and is also the basic premise for their unity. At present, the economic structural reform is developing in depth, and the political structure reform has also been included in the work schedule of the party. The new historical developments have posed and will pose many new things and new questions to our theoretical workers and require them to give theoretical explanations and theoretical guidance. Therefore, people who can solve more new questions will make greater contributions to the reforms and will reach a higher Marxist theoretical level. All of our theoretical workers should strive to be such Marxists.

Great practice needs great theory and also breeds great theory. The great practice of socialist modernization, reform, and opening up will give us rich food for thought in our theoretical work, and the 13th Party Congress has broadened the scope for our theoretical research. Let us exert ourselves to make new developments in our Marxist theory!

Editorial on Future of Opening Up, Reform
HK300715 Hong Kong WEN WEI PO in Chinese
30 Dec 87 p 2

[Editorial: "Prospects for China's Opening Up to the World and Reform"]

[Text] China has achieved major development in 1987 in the work of opening up to the world and reform. The 13th CPC National Congress in October was an important symbol of speeding up and deepening reform and further opening up to the world.

Looking ahead to 1988, China will make faster development in opening up to the world and reform. As the supreme organ of state power, the Seventh NPC in March next year will legislate for the systematization of the program for opening up to the world and reform drawn up by the 13th Party Congress. The election of new delegates to the NPC will enable political life in

China to take on a more democratic nature, will make NPC delegates more professionally competent, and will allow them to exercise better supervision over government administration. State affairs will become more overt, and a debate system will be formed. The Seventh NPC will elect a new State Council, and the government will absorb a large number of leading cadres who are in the prime of life, professionally competent, and active in pursuing the policy of reform and opening up to the world. The introduction of the civil service system will provide talented people with an opportunity for equal competition. In this way, the government will be able to recruit top quality people to improve work efficiency.

Reforms next year will have three characteristics: 1) A new system will take shape and China will enter a period in which two management systems, two operational mechanisms, and two management methods coexist and the old structure will be transformed into a new one; 2) the quality of reform will be improved and the initial reform characterized by delegating powers to the lower levels and allowing the lower levels to retain more profits will shift to a more profound reform characterized by straightening out economic relationships and adjusting economic interests in various fields; and 3) a single reform will develop into a full set of reform involving both economic and political structural reforms, and scientific, technological, and education reforms will also start.

In economic reform, China will have to surmount five difficulties: difficulty in price reform, difficulty in wage reform, difficulty in taxation reform, difficulty in interest rate reform, and difficulty in exchange rate reform. In the past, China used administrative methods to meddle in economic work. When the period of overall reform comes, China will guide economic work by economic means and focus its reforms on the pricing structure, enterprise management structure, investment structure, and monetary structure. All enterprises will enter into equal competition. Prominent changes will take place in the government's operation: 1) the government will regulate the market by exercising macroeconomic control; 2) the government will allow the boards of enterprises more decision-making rights; and 3) the government will introduce the contract system to enterprises so that enterprise managers will have the power to operate and manage. This will be an arduous and complicated reform, for which, we believe, the government has already worked out relevant measures.

Prices and agricultural production have important bearings on whether reforms will proceed smoothly. China's productive forces are still at a low development level and its natural economy still accounts for a large percentage. With a large population, the country consumes much. In a word, the supply of commodities still falls short of social demand. Once banknotes are oversupplied, consumption and credit become inflated; when certain commodities fall short of demand, price fluctuations will take place. All this will impact on reform. As China has

limited farmland, a large number of talented peasants have given up agricultural production to engage in industrial and commercial undertakings. Some have occupied farmland for housing construction. This harms grain production. The shortage of grain will give rise to price fluctuations and cause a slowdown in industrial development. The problem of grain should not be taken lightly, and the responsible department concerned will devote its efforts to tackling the problem.

At the beginning of next year, Hainan Island will be made into a province and Guangdong Province will further carry out the policy of opening up to the world. It will be a year in which the two provinces will implement the 13th Party Congress program for reform and opening up to the world "ahead of others." Reform measures will be carried out on a large scale, and policies on reforms will be very flexible. In the past, many foreign friends said that China's reforms were proceeding behind its work of opening up to the world, but Hainan Island and Guangdong Province will carry out the work of opening up to the world and reforms simultaneously and explore new breakthroughs and conduct new experiments. Chiang Ching-kuo of Taiwan has ordered the Taiwan Government to study seriously the economic and military influence the establishment of Hainan Province will have on Taiwan. Obviously, Hainan's reforms and opening up to the world have strong potential and will produce a far-reaching radiation force on both the mainland and Taiwan.

Next year, China's reforms and opening up to the world will provide better investment and trade opportunities for Hong Kong businessmen. Sharp-eyed people will make early preparations to gain the upper hand of the situation.

Article on 'Crisis' in PRC Army, Exercise
HK310223 Hong Kong CHENG MING in Chinese
No. 123, 1 Jan 88

[Article by Special Reporter Chang Chuan (1603 1557):
"The Crisis in the CPC Army Is Escalating"]

[Text] A Notice Is Circulated To Criticize Two High-Ranking Cadres for Showing Their Resentment Against Deng [subhead]

Adjustments were made among top army personnel after the 13th CPC Congress. Deng Xiaoping still keeps a firm hold over the army. But "anti-Deng" sentiment in the army continues to increase.

Quite a number of top military leaders are showing more resentment against reformists and Deng Xiaoping. Many veteran military leaders who have withdrawn to the second line sometimes openly rebuke Deng Xiaoping for being "devoid of gratitude." At a formal meeting of party members, a deputy director of the cultural department in the General Political Department of the PLA

and a deputy director of the General Political Department of the PLA complained that the disarmament line adopted by Deng Xiaoping was a line of reducing veteran cadres, pulling out tendons and skinning people, and applying a single solution to diverse problems, regardless of actual conditions. As a result, the Central Military Commission issued a circular criticizing these two leaders.

The Central Military Commission Issues an Order To Court-Martial Those Who Complain [subhead]

As instructed by this order, the general departments of the PLA, all services and arms, and all military regions must exercise stricter management over veteran military leaders who have withdrawn to the second line, and, in case repeated education proves to be of no avail, severely punish according party discipline and military law veteran military cadres who persist in their erroneous views and spread erroneous ideas, whether or not they are still at post or have withdrawn to the second line.

There Are Three Difficulties in Army Work [subhead]

There are three difficulties in army work: Conscription, the promotion of cadres, and ideological work.

Conscription cannot be fulfilled in many parts of the country. Unlike the situation in the past, nowadays many young people no longer take pride in enrollment in the army. A new conscription campaign will begin before the Spring Festival. It has been predicted that the 1988 conscription target will not be fulfilled. Therefore, the General Political Department and General Staff Department of the PLA have shifted their area of conscription to mountainous and remote regions. The number of recruits to be conscripted in large cities, including Beijing, Shanghai, and Tianjin, will be reduced by 40 % as compared to 1987.

Young people regard enrolling in the army as a dangerous road to take. They think that going to the war on the Sino-Vietnamese border means becoming cannon fodder. From this we can judge the morale of the Chinese soldiers.

Two Pilots Fail in Attempt To Fly to Taiwan [subhead]

Unstable factors in the armed forces manifest themselves most prominently in the Air Force (probably because they are more visible in the air force than in the other two services). On 19 November 1987, squadron leader Liu Zhiyuan flew to Taiwan on a MIG-19. During that period, two young pilots from a Jinan division air unit also made an attempt to fly to Taiwan.

The attempt did not succeed because one of them, named Xu, hesitated at the last minute, and the other was arrested.

Yang Shangkun Issues Order Against Letting Any Planes Get Away [subhead]

The arrested pilot admitted during interrogation to an attempt to fly to Taiwan and expressed discontentment with the present situation on the mainland and a loss of confidence in the future of the country.

All of the other pilots from the arrested pilot's unit were subjected to political investigation. A deputy beader of a flying group was arrested and charged with watching obscene videos. He committed suicide while under detention.

There is a general feeling of constraint in the armed forces.

The Central Military Commission and the General Political Department of the PLA recently made a decision on straightening out political and organizational work in air units. Yang Shangkun, permanent vice chairman of the Military Commission, issued an order to all air units not to allow a single plane to escape.

This Year Will Witness a Large Military Exercise [subhead]

It is probably to demonstrate China's military strength to foreign countries and stabilize the morale of the Chinese Army that Deng Xiaoping has given instructions that a large-scale military exercise be carried out in the spring of 1988. It will be larger than the last military exercise, which was held in the northern part of the country.

According to reports, plans for the forthcoming military exercise are being drawn up, and foreign military leaders and military delegations will be invited to watch the exercise.

This activity will mark the beginning of opening up Chinese military affairs to the world. The PLA is currently making preparations for the exercise.

Competition Used in Weapons Production

OW290259 Beijing XINHUA Domestic Service in Chinese 1411 GMT 23 Dec 87

[By correspondent Zheng He]

[Text] Beijing, 23 Dec (XINHUA)—With the awarding of a contract today to the contractor who has won the bidding for the designing and manufacturing of China's new guided missile escort boats, this bidding, which is regarded as one of the key experiments of the military, has entered the phase of execution.

The new guided missile escort boat is one of the key naval combat boats to be developed and built during the Seventh 5-Year Plan. This bidding marks the first time that competition mechanism has been introduced for the

development and manufacture of big-item military products, breaking the "monopoly" of military production and evoking strong repercussions among the ship designing and manufacturing departments.

It has been learned that the bidding, which has received vigorous support from relevant state and local departments, has been carried out under the legal and notary supervision of the state notary organs. Following the introduction of the economic contract system and the system of pricing in accordance with quality by the Navy in building a certain guided missile escort vessel and a large depot ship for experimental work, this is another useful experiment in the development, manufacturing, and placing orders for armaments and equipment.

Television Shows New Missile Detector

OW281237 Beijing Television Service in Mandarin 1100 GMT 22 Dec 87

[From "News Briefs" of "National News Hookup" program]

[Text] A new type of missile testing equipment was successfully developed in Shenyang recently, and the design has been finalized by departments concerned.

The instrument can detect the parameters of the reliability of 13 functions of a missile when it is launched.

The newly developed missile equipment not only is small, light weight, and easy to carry, but also can be used by missile units in the field. [video shows one soldier, kneeling on snow-covered ground adjusting one of the several knobs on an iron box about 7 inches high, 12 inches long, and 8 inches wide. Like a laptop portable computer, the box has a flip open dark screen, showing indistinguishable information, as well as a meter. The box is attached, by cables, to what looks like a rocket which is hand held by two soldiers squatting on the ground about 10-12 yards away. One of the soldiers is seen connecting a cable to the olive-green rocket]

Article on Relationship of Tax, Profit

HK301500 Beijing GUANGMING RIBAO in Chinese 5 Dec 87 p 3

[Article by Xia Yang (1115 7122): "The Defects of Signing a Contract With Guaranteed Tax Payments"]

[Text] In implementing the specific method relating to the system of contracted responsibility with management, some localities have adopted the measure of preliminary tax payment by enterprises based on the existing regulations, with the accounts square in the year-end financial settlement. Such a practice is actually binding taxes with profits, while financial departments take into consideration the total volume of financial revenues only (the same is the case with enterprises). A

balance is drawn in the closing account, with the retention of extra profits based on a certain percentage. Such a measure of tax payment under contract is unfavorable to the development of the commodity economy.

The method of year-end financial settlement has weakened or eliminated the regulating function of taxation. Taxation is the basic form and chief source of financial revenue as well as an important lever in regulating economic relations and the economic structure, and in promoting economic development. From the angle of the enterprise, contradiction generally exists in which the higher the taxes are, the less profits, or vice versa. The increase of tax categories and rates will directly affect the economic results of the enterprise, and compel the enterprise to react correspondingly to readjust its investment structure, product mix and managerial mechanism. Generally speaking, the direction of the enterprise's reaction is identical with the target of the state and locality in the regulation of the tax lever. However, if tax and profits are bound together, profit will play a "compensating" or "regulating" role. No matter what changes are made in the tax, so long as the base under contract or the percentage of retained profit is unchanged (or fixed in the contract,) the volume of expenditures regarding the enterprise is always the same. Thus, the enterprise does not have to react to the changes in the tax categories and rates. The profit handed over to the state by enterprises under ownership by the whole people as an embodiment of the property ownership by the whole people is fixed at a certain volume (although alterable). Under the condition that the enterprise's investment, product mix and managerial mechanism should remain unchanged while the tax is changed, it is possible for the enterprise to suffer from deficits. If tax and profit are bound together, the enterprise's deficits would be concealed. It is in this sense that the enterprise would obtain a new form of subsidies for deficits. From the angle of the state and localities, their financial revenues are guaranteed in the short-range, but from a long-range view, the regulating function of taxation will be lost, and the readjustment of the national economic structure and the steady and rational progress of the national economy affected; eventually it will lead to a standstill in financial revenue growth.

The confusion of the two different economic categories of tax and profit is unfavorable to the development of the separation of ownership and managerial power. Tax is a form of state revenues derived from economic units or individuals without compensation, and a certain portion in the managerial cost of the enterprise. All nations must collect taxes based on the law in order to take up the basic functions of social administration. Paying taxes is also an obligation of economic units or individuals to the society. Aside from paying taxes to the state, enterprises of ownership by the whole people act as ordinary economic units. They should hand over their profits to the relevant responsible state departments, the representatives of ownership by the whole people. Taxation is mandatory, which is not necessarily part of the

profit of the enterprise, while profits are changeable. Both the owner and the manager of the enterprise should bear responsibility. It does not mean that the owner can enjoy the profits without taking any risks.

The binding of tax with profit results in the loss of the mandatory and legal qualities. The practice of mixing tax and profit in balance account will lead to a false impression to the enterprise: Tax and profit are identical to each other. Profit is handed over to the state only when a profit is made. If tax and profit are bound together in the annual balance, it will make little difference when the tax will be paid, and the enterprise may even manage to get a tax exemption in the end. The consequence is that the not-so-strong sense of tax payment of the enterprise will be all the more weakened. This is unfavorable to strengthening taxation, and will affect the stability of, and growth in financial revenues.

The lack of a demarcation line between of tax and profit will confuse the state budgetary revenues as well as the enterprise's accounting, which will never be accurate. This is unfavorable to creating an economic climate on the basis of comparative equality. Taxation reflects the relationship between the state and the economic unit or the individual, while profit reflects the relationship between the property owner and the manager. Taxes are the basic state revenues and grow with social economic development. Based on the changes in the tax categories and rates, it is possible for the state to make accurate calculation in the volume of increase or decrease in the budgetary revenues as well as the general changes in the taxes for all economic units and even the individuals. The lack of a demarcation line between tax and profit may lead to the situation in which tax revenues may increase but not financial revenues, with the possible emergence of a wide gap between the budgetary and the actual revenues. Such a situation is unfavorable to financial balance, and the concentration and distribution of funds as well. The comprehensive indexes as criteria for the enterprise should be profit, namely, the profit rate of capital, which is the target of the property owner as well as the manager, at the same time, a restriction to investment and management. Regarding some enterprises of ownership by the whole people, the binding of taxes and profits will never change their passive situation, in which taxes will increase with greater profits, or vice versa, even with a tax exemption. It is not groundless that some enterprises of ownership by the whole people have always found their burden too heavy since the delivery of taxes for profits was in practice, compared with those enterprises otherwise or individual enterprises under the condition that their economic results are largely the same. It would be impossible to create a climate for competition based on equality for social economic units if the relationship between taxes and profits should go away.

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[Article by Jiang Xiaowei (3068 2556 5633) of Economic Management Research Center of State Economic Commission: On the Formation of a System of Responsibility, Power and Interest for the State and Manager"]

[Text] The target of the reform of the urban economic structure in our country is the formation of an operation pattern for a planned commodity economy. This pattern demands that in the operations of the national economy the state and the enterprises separately form their own responsibility, power and interest system and form responsibility, power and interest relationships between the state and the enterprises. This article attempts to probe into this problem in the combination of both theory and practice.

1 Operation of Socialist Reproduction Requires the Formation of an Economic Mechanism for the Unification of Responsibility, Power and Interest

The basic units in the operations of socialist reproduction are the enterprises which serve as the combined laboring bodies. The organic whole of the reproduction processes of the enterprises constitute social reproduction.

The enterprises' reproduction process requires the combination of the means of production and the workers; in the reproduction process production of the products is through the workers' exerting their labor and consumption of the materialized labor and these products must be realized; the continuous progressing of the reproduction process requires due compensation be made for the consumption of labor. Unification of these three factors in the reproduction process constitutes the condition and results of the operation process in reproduction and thereby forms the responsibility, power and interest system of the manager of the enterprises, and also shapes the responsibility, power and interest system of the state, and the reciprocal relationship between them.

1. The form of the combination of the means of production and the workers is the basis of the economic interests in the operation of reproduction.

Any society engaging in production activities must take the combination of the means of production and the workers as the precondition. "Regardless of the form of society engaging in production, workers and means of production are from beginning to end the factors in production. However, when the two are in a separated condition they are factors of production only in the realm of possibility. Only when production is undertaken then their combination is necessary" (Footnote: Marx' "Das Kapital," Vol 2, People's Publishing House, 1975 edition (same below), p 44). Under different social systems, the form of combination of the means of

production and workers is different. In a capitalist society, combination of the workers and the means of production takes their separation as the starting point, the form of the existence of capital production comes about from the capitalists joining together and the result is that the surplus value is brought to the capitalists. Under socialism the public ownership system determines that the means of production belongs to the workers who effect the combination with the means of production in their capacity as owners of the means of production. Nevertheless, determination of the socialist public ownership nature of the means of production does not mean that the form is perfect since the form of the public ownership system of the means of production is still constrained by the development level of the social productive forces. With the current development level of the productive forces determining the form of combination of the workers and the means of production internally in the socialist public ownership system of the means of production, the enterprises serving as the grass-roots units in social production are still a kind of immature labor combination bodies. This is different from the labor combination bodies in the supposition of Marx and Engels. The socialist labor combination body in the supposition of Marx and Engels is a unitary type of labor combination of society-wide scope under the preconditions of a high degree of socialized development of production and the means of production under the joint ownership of all society. On the other hand, in our country, the form of the actual socialist public ownership system is a form of the state ownership system in which the state represents the workers of the entire society jointly owning the means of production—a form of immature socialist public ownership system. With the state exercising full ownership of the means of production and the enterprises having partial possession and the right of handling the means of production, this forms the pattern of the state having the entire ownership of the means of production and the enterprises being full managers of entrepreneurs. In production the status and the role played by the state and the enterprises are different; this determines that they possess different interests. With the enterprises taking the production organization form enabling the combination of the workers with the means of production, it is inevitable that independent interests will be produced which are different from those of the entrepreneurs who are also owners of the means of production. In the initial stage of the socialist reproduction movement, the special combination form of the means of production and the workers is the basis for the realization of the economic interests of the state and of the entrepreneurs in the reproduction operations.

2. Realization of the actual ownership right of products is the manifestation of the power of the owner and the entrepreneur in the reproduction operations.

The process of reproduction's continuous movements is a consuming process of the workers and the means of production. The results of the consumption are crystallized in the products. Hence, the realized substance in

the reproduction operations is the formation of the products. When examining the process of the social reproduction movement, Marx took as the starting point "society's provision and supply of commodity products in a year's time" and believed that starting from there "it will be possible to clearly see how the process of the reproduction of social capital is being carried out (Footnote: Marx' "Das Kapital, Vol 2, p 435). Thus, the realization of products carries a decisive significance in the reproduction movement.

In the process of socialist reproduction, the state as owner of the means of production, naturally demands realization or results in the products which consumed the means of production in the course of the reproduction. However, the workers themselves, in the process of the consumption of the means of production owned by the state, likewise go through the process of consuming and expending their own labor force. This laboring process is done and completed in the form of the enterprise organization, being a sort of consumption and outlay of combined labor with the consumption of the combined labor being crystallized in the products and forming a part of the value of the products. Due to the special form of the combination of the workers and the means of production under socialist conditions and the enterprises, being the entrepreneur or manager of the means of production, possessing special interests, the realization of the value of the products formed by the consumption of the combined labor helps form the ownership relations of that portion of products produced by the enterprise, similar to the right of the state as the owner. But here, its manifestation is a sort of power relationship of the entrepreneur or manager. Thus realization of the products is a manifestation of the power of the state and of the entrepreneur in the reproduction operations.

3. In the reproduction operations responsibility is manifested in the compensation demand.

The process in the reproduction movement is a consumption process of the means of production and the labor force of the workers and the realization process of the products is at the same time the compensation process of value and real goods. In the reproduction movement, compensation for consumption of the means of production and compensation for consumption of labor force must be completed and both of these are manifested in "a movement formed in the value of the products resulting from the exercise of the gross capital's functions" (Footnote: Marx' "Das Kapital," Vol 2, p 437.) This movement is the compensation of value and real goods; without compensation, reproduction has no way to proceed. Reproduction operations are usually completed inside the enterprise; hence compensation is a responsibility that must be borne by the party undertaking the reproduction operations, that is, the enterprise, in ensuring the continuous carrying on of the reproduction. As owner of the means of production the state must

supervise the enterprise's fulfillment of compensation of the production factors. This is a responsibility that must be borne by the state in ensuring its own interests.

In theory, regarding the combination of the means of production and the workers in the reproduction operations, the realization of the products and compensation in the reproduction operations, we can study them separately, but in the actual reproduction operations these three constitute an indivisible and united body and none of them should be lacking. Hence, in the reproduction operations it is necessary to form an integrated economic mechanism which unites responsibility, power and interests.

In the reproduction operations, the state and the enterprise process a different status, occupy a different position, and play a different role. Hence the system of responsibility, power and interest manifested is also different. In participating in the reproduction operations, the state plays the role of owner of the means of production and the enterprise acts as the manager or entrepreneur of the means of production. Reproduction operations may be divided into two layers: social reproduction and enterprise reproduction. The enterprise being directly in charge of the reproduction operations, it must, through the realization of the products, bear the responsibility of fulfilling the compensation for the consumption involved in the reproduction operations and also the responsibility of expanding the input of the reproduction funds. Hence, it must possess the corresponding power and interests and thereby form the enterprise's system of responsibility, power and interest. The organic total of the reproductions of unitary enterprises constitute social reproduction. With the state being the general owner of the means of production, it bears the responsibility of organizing and managing social reproduction. And in coordination with this responsibility are the power of supervising, coordinating, guiding and controlling the enterprises' reproduction operations and the interests of the owners and the entrepreneurs, thereby forming the state's system of responsibility, power and interest. Thus, through dissecting the reproduction operations, we are in a position to discover what constitutes the state's and the enterprises' separate and integrated system of responsibility, power and interest and the reciprocal liaison of the state's and the enterprises' responsibility, power and interest.

II Our Country's Existing Reproduction Operation Structure Impedes Formation by the State and the Enterprises of a System of Responsibility, Power and Interest

The special feature of the reproduction operation structure in our country is that it is of the divisional type, that is, both the state and the enterprise find themselves in the midst of the enterprise reproduction operation, the operations of the enterprise's reproduction are split up, government departments represent the state in performing the functions of input and output in the reproduction process (investing funds, allocation of raw materials,

issuance of mandatory production plans, allocation of products) and the enterprise performs the simple production functions (organization and coordination of the enterprise's production and production management). After even several years' of reform in expanding the enterprises' decisionmaking power, this type of structure in reproduction operation has made no change in its essential character. Such a form of operation pattern which merges into a single body social reproduction and enterprise reproduction necessarily produces defects:

1. Confusion in the relations and limits of the responsibilities, power and interest of the state and of the enterprise. An enterprise's reproduction operation should be an integrated and unified body and the enterprise should engage in three tasks, these being: engaging in compensating simple reproduction, enlarging reproduction input and continuously raising the standard of living of the enterprise's staff members and workers. These three tasks must be completed through the enterprise organizing production and realizing the production of products. By so doing the enterprise can form an integrated responsibility-power-interest system. If an enterprise does not bear an integrated reproduction operation then the enterprise cannot have integrated responsibilities, power and interest. For example, under the conditions of an enterprise's production tasks being subjected to the state's mandatory planning, the products turned out by the enterprise will likewise follow the allocations planned by the state and the enterprise cannot handle them freely in the market. In such a case, the state, when organizing production, will consider only the output quantity and will not pay too much attention to the products' quality and their renovation. The stockpiling of products and their poor quality will have little effect on the enterprise and it is for this reason that despite repeated orders from the state to improve the products' quality, the enterprises are hardly concerned. For another example, with the state grasping the power of investing in expanding the enterprises' reproduction and playing the role of organizer and manager of social reproduction, it is inevitable that the state will consider the use of funds from the angle of social reproduction as a whole and the chances are that new enterprises are established at the expense of the old enterprises with the result that the latter's reproduction operations will progress in a depressed and withered manner. The state's participation in the enterprises' reproduction operations can develop only a relationship of reciprocal dependence and not one of mutual restriction, but in a commodity economy, mutual restriction is a special feature of the utmost importance. If in the whole national economy the various economic relations should lack a restrictive nature, then they cannot have a relatively strong vitality.

2. Extreme difficulty in determining the state's system of responsibility, power and interest. If the state takes part in the micro-economic operations, first of all it will fall into the pit of contradiction between two different functions. When the state becomes the manager or controller of the social reproduction operations, then the

functions of such a controller require that it must grasp the objective laws of the social reproduction operations and employ various kinds of economic levers to regulate the social reproduction operations, but in also assuming part of the functions of the producer the state cannot but directly enter into the enterprise and intervene in the enterprise's production activities. Thus, in managing the whole social reproduction it cannot, at any time, free itself from directly intervening in the microeconomic reproduction operations and does not bear the responsibilities of the microeconomic reproduction operations. Besides, the state's ability to employ indirect measures to control macroeconomic operations is also rather weak. Second, the state's functions will be weakened. A high degree of development of socialized large-scale production determines that the state takes up the functions of control, but ensuring the orderly movement of social reproduction requires a macroeconomic controller. Thus, the state, concurrently performing its political functions, must also take up the functions of economic control or management. But in essence the state's participating in the microeconomic operations is tantamount to refuting its own functions and lead to their weakening. The results are: the state utilizes its supersocial special power to centralize in itself power and interest but repels the restrictions of responsibility, thus making it difficult to affirm or determine the state's system of responsibility, power and interest. Consequently the following conditions appear in the state's management and control of social reproduction: (1) The state's inability to delegate to lower levels what should be so delegated nor to control what should be controlled; (2) the transparent degree of the state's macroeconomic policy being low, effective regulation being insufficient, and the state's direct intervention being excessive; and (3) the government's administrative departments becoming too large, the departments in charge of economic levers becoming relatively small, and all in all inability to form a highly effective indirect control.

3. Difficulty in forming the enterprise's system of responsibility, power and interest. The state's participation in microeconomic activities makes the enterprises subordinate to the government departments unable to form their own system of responsibility, power and interest. This will slacken the enterprises' reaction to the state's policies and deprive them of a self-regulating mechanism.

Pushing the reform of the economic structure needs to start from economic operations and seek a new economic mechanism. This calls for—through the state and the enterprise being of two different economic operation layers—one taking charge of social reproduction operations and the other handling the enterprise's reproduction operations, demarcating their own responsibility and power limits and, through the relations between these two layers of reproduction operations, forming a reciprocal liaison between the state's and the enterprises' separate systems of responsibility, power and interest, enabling the state and the enterprises to form between

them relationships which possess the special features of a commodity economic and which help them to rely on each other, advocate but also restrict each other and ensure and protect each other.

III Transitional Form in the Formation of the State's and Entrepreneur's System of Responsibility Power and Interest and a Line of Thought on Making Further Reform

In realizing the above-mentioned supposition on the relations of responsibility, power and interest between the state and the enterprises, it is necessary to go through a transitional stage. After several years of piloting the reform, we have selected the form of the contracted operational responsibility system. As the transitional form, it possesses the following special features:

1. By means of closely adhering to the distribution principles of "rigid adherence to the contracted base figure, definitely ensuring the delivery to the state of taxes and profits, retaining more in the event of surplus earnings but making up with one's own funds for any deficit or loss," the contracted operational responsibility system clearly demarcates the interest limits between the state and the enterprises and, using the contractual form, protects the realization of the interests of the state and of the enterprises and determines to whom they should belong. Hence, in comparison with the distribution system of making a proportionate division as practiced in taxes-in-lieu-of-profits, the distribution form under the contracted operational responsibility system more clearly marks the distribution limits of the profits and under it, the enterprise can easily discern what its actual profit income is as well as the ratio of future increased profit earnings it may receive. Moreover, the transparent degree of the state's policy vis-a-vis profit distribution is clearer while the enterprise is more sensitive in responding to the profits or losses in the general income.

Naturally, under the contracted operational responsibility system, realization of the enterprise's benefits is determined by bilateral negotiations between the state and the enterprise concerned. It is by no means a standardized distribution form. In my opinion, seen from the existing conditions of the enterprises and the actual practices through the past years in the reform of taxes-in-lieu-of-profits, we must pass through diversified distribution forms before transition can be effected to a standardized distribution structure. Originally, we had thought that by means of the practice of taxes-in-lieu-of-profits we could create a standardized distribution structure for the enterprises. However, due to various factors such as the vast differences between the concrete conditions of our country's enterprises, the uneven economic development in the various regions, the absence of a market system and the prices still not being put in order, as soon as the practice of taxes-in-lieu-of-profits made its appearance, it immediately carried with it the irregular special feature of the regulation tax of fixing separate rates for different households. In enforcing the practice

of taxes-in-lieu-of-profits, due to the state's policies having to be continuously readjusted following development of the reform, which naturally affected the interests of the enterprises, the state had to adopt such policies as tax-reduction and tax-exemption. It can thus be seen that it is not realistic, in fact not possible, to standardize in one stroke the reform of the distribution system, and that resorting to diversified distribution forms constitutes the preparatory stage and the precondition for setting up a standardized distribution structure. The contracted operational responsibility system was precisely enforced on the basis of the scheme of taxes-in-lieu-of-profits and actually provided the condition and prepared the way for further reform of the existing taxation system. In general the contracted base figure of the enterprises is determined by the actual figure of the income tax and the regulation tax delivered to the state in 1986 while the portion of the circulation tax is not incorporated into the contracted base figure and the enterprises have to pay the tax according to the regulations. The method of determining the contracted base figure retains the workable portion of the scheme of taxes-in-lieu-of-profits and by means of the contractual form helps to solve the problem arising from the fact that in the scheme of taxes-in-lieu-of-profits the interests subjected to proportionate distribution between the state and the enterprises are usually confused in demarcation and unclear in regard to the state of ownership. The method thus protects the income of the state and the income of the enterprises. This in fact has reference to the distribution method of "tightly contracting for the base figure ensuring the upward delivery of taxes" advocated in the distribution principle under the contracted operational responsibility system. In this distribution principle, we further advocated two more points, namely, "privilege to retain more if the earnings exceed the target and responsibility to make up for any losses or deficits." This in effect injects into the relations between the state and the enterprises the principle of the commodity economy and manifests the special feature of the target pattern in the reform of our country's economic structure which is that the enterprise serving as a relatively independent producer of commodities must possess independent economic interests and be solely responsible for its own profits and losses. Combination of the two points of "tightly contracting for the base figure and ensuring the delivery of taxes to the state" with the other two points of "retaining more if there is an excess in earnings and making up, out of one's own, for any deficits or losses" makes the contracted operational responsibility system become a transitional form in the conversion of the new and old economic structures.

2. Through the unification of the enterprise's contracting for, and the state's contracting to and guaranteeing, the contracted operational responsibility system initially determines the responsibilities borne by the state and the enterprise in the reproduction operations. In the contracted operational responsibility system, the enterprise is the principal body who contracts for, and is the one who actually undertakes, the contracting burden. The

enterprise signs the contract with the governmental department representing the state. At the same time this determines that the enterprise, in order to realize its own economic benefits, must bear the responsibility of ensuring the fulfillment of the contract or agreement. As the other party of the agreement, the governmental department takes up the responsibility of providing the necessary external conditions for the enterprise to fulfill the agreement so as to ensure the smooth fulfillment of the agreement and to obtain its share of the economic benefits. Thus, the contracted operational responsibility system enables both the state and the enterprise to simultaneously take up the burden of their respective responsibilities on the basis of their own benefits.

In order to ensure the fulfillment of the contracted tasks and to continuously increase its own benefits, the only way open to the enterprise is to cast its eyes inward and to intensify the reform of its internal operation and management structure. First, the leadership structure of the enterprise must be reformed. As for our country's large and medium-sized enterprises owned by the whole people, due to their nature, their scale of operation and the position they occupy and role they play in the national economy, actually they are enforcing the system of the enterprise's collective contractual operation. Contracting enforces the plant head responsibility system and endows the plant head with the management power while the party organization plays an ensuring role and along with the employees' representative congress exercises the supervisory power. The enterprise is a legal entity and the plant head is the legal entity's representative. Transforming the original leadership form of the enterprise, enforcing the collective leadership system but without having any responsible person, and substituting for it a new type of enterprise leadership structure which makes the plant head take up the responsibilities and possess independent power but still under restraints and restrictions is in reality the nucleus of the internal reform of the enterprise. With this reform as the center, we should transform the antiphonal type of an administrative organizational structural between the enterprise and the governmental administrative departments and establish an organizational structure in harmony with the enterprise's production and operations; we should alter the enterprise's backward management and set up in their stead a modernized and scientific management system; we should change the enterprise's distribution system which suffers from lack of restraint, and install in its place a distribution mechanism for the enterprise's internal gross income and also an income distribution system which can arouse the employees' enthusiasm; and transform the enterprise's labor and personnel system and introduce a competitive mechanism to the end that the staff members and workers can, under the conditions of equal opportunities, develop competition internally in the enterprise and so that they can put their enthusiasm to best use. After this series of coordinating reforms, we

can establish a new type of socialist enterprise which is efficient, effective, possesses force of pressure, has vitality and suits the demands of the development of a commodity economy.

After enforcement of the contracted operational responsibility system, the key for the governmental departments in ensuring the fulfillment of the agreement lies in creating the external environments for the enterprise's production and operations. This will require of the governmental departments to shift their functions. In the contracted operational responsibility system, the government departments, first of all, by means of formulating the industrial policies and regulations for the industries and trades and circulating and announcing economic news and intelligence, guide the enterprises in their production, investment and development; secondly, through adopting various economic regulatory measures to help the enterprises in their production, investment and development; and, finally, push the transformation of the governmental departments' functions to the front stage of the reform, thus ensuring that the functions of the governmental departments will keep pace with the reform of the enterprises.

3. Enforcement of the contracted operational responsibility system clarifies the demarcation line between the interests of the state and those of the enterprises and makes their responsibilities definitely clear. In the transformation of the governmental departments' functions, the departments in part retract from participating in the enterprises' production and operation activities and shift their functions to attending to the demands of social reproduction operations. Fixing or determining the interests of the enterprises enables them to obtain a definite capacity in self-accumulations and self-transformation as well as a part of the decision-making power in reproduction. In fact enterprises such as the Capital Steel plant and others which have enforced the contracted operational responsibility system have developed step by step precisely through making self-accumulations. In the course of the promotion of the contracted operational responsibility system, intensifying at the same pace the government's functional departments and the enterprises has formed the initial shape for the responsibility-power-interest system of the state and that of the enterprises.

Naturally, enforcing the contracted operational responsibility system still cannot take us to the destination of reform of the whole economic structure. It is only an essential transitional form, able to create definite conditions for the coordinated reform of the economic structure. In order that the contracted operational responsibility system can play an even greater role in the reform of the economic structure, aside from having it effect its own self-perfection, we must still further and importantly consider solving the following several problems:

1. Perfecting the taxation system and establishing a standardized distribution structure for the national economy. In the new economic structure, the realization

of the separate benefits of the state and of the enterprises must go through the markets, but realization of the benefits must be completed by means of distribution. In the course of the reform, we need to solve the distribution of the benefits through frontal negotiations between the state and the enterprises, but obviously such a distribution form cannot be adopted all the time. Therefore, the establishment of a standardized distribution structure is a key state in the reform. It must be solved through improving the taxation system. And a perfect taxation system embraces two phases: 1) Establishment of a taxation system, and 2) Establishment of a tax collection system.

(1) Establishment of a taxation system. First, on the basis of the operational pattern of a planned commodity economy and in accordance with the different demands of the two production layers of social reproduction and enterprise reproduction, we demarcate the duties and powers of the three parties comprising the state, the localities and the enterprises and, based on the duties and powers of each, a rational distribution is made of the profits created in the enterprise between the state and the enterprise and a tax divisional system is carried out between the state and the localities. Second, guided by the concept of invigorating the enterprises, we must determine a rational tax rate, that is, in determining the tax rate, in addition to considering the state's interests we must also consider the ability to bear on the part of the large and medium-sized enterprises in our country and also consider the problem of equality in taxation among enterprises of the same industry, trade or category. Finally, the taxation system must be standardized. Taxes as economic regulatory levers can directly regulate the interests of the three parties of the state, the regions and the enterprises, and can produce enormous effects. Therefore, the taxation system must be standardized and must be relatively stable in character so as to raise the visibility of the enterprises in regard to taxes. Seen from the past several years' practices in the scheme of taxes-in-lieu-of-profits, a tax system which makes many changes weakens its regulatory role on economic operations. Take for example the readjustment of the bonus tax. In this case the enterprises react by utilizing various other measures to grant awards and bonuses in disguise which has greatly reduced the role of the bonus tax in regulating the income of the staff members and workers.

(2) Establishment of a tax collection system. In enforcing the two steps in the scheme of taxes-in-lieu-of-profits, the weakest point is the unhealthy state of the system of tax collection and tax control. First, the small number of tax collectors and administrators; second, the poor quality of such personnel since a large proportion of them consist of high school graduates who have not gone through any specialized training; and third, the lack of a legal protection system. The result: Each year we have been compelled to conduct large-scale tax inspections to solve such problems as tax evasion. The fact that each year cases of tax evasions amount to several hundred million yuan have been discovered amply attests to the

weakness in our tax collection and administration system. In establishing a strong tax collection and tax administration system, the most urgent tasks are to increase the number of tax collectors and tax administrators, the improvement of their quality, and setting up a rigid legal protectional system.

2. Perfecting the investment structure and clearly demarcating the responsibilities of the state and of the enterprises. Since investment consists of the compensation and re-input in the enterprises' reproduction operations, it is an irrefutable responsibility of the enterprises as the production organizers and is also the responsibility of the state which as the manager of social reproduction must attend to the compensation and re-input of funds called for in the entire social reproduction. Due to the state and the enterprise being located in two different layers of reproduction operations, they bear different responsibilities. In perfecting the investment structure, first of all it is necessary, in accordance with the state and the enterprises being located respectively in the layer of social reproduction and that of enterprise reproduction, to clarify the investment responsibility that the state and the enterprises must each bear. In administering the enterprise reproduction operations, the enterprises must complete the technical transformation, investments in renovation of equipment, and investments in the expanded reproduction necessary for the enterprises' development. All other investments which do not come under the administration of enterprise reproduction such as investments in construction of large-scale and major projects, urban basic facilities and building of dormitories and residences should all come under the control of the state (central and local governments). Second, the state should, following the demarcation of investment responsibilities, delegate the investment power to lower levels and, in its capacity as the macro-economic controller, take up the tasks of regulating and controlling the gross volume of investments and guiding the direction of the investments, all of which may be carried out through the markets. Third, the government departments should transform their functions, formulate scientific economic and social development strategies and plans, and set up systematic statistical, forecasting, evaluating, supervisory and controlling bodies. Fourth, it is necessary to gradually raise the quality of the government's working personnel and make them learn the methods of indirect economic management. Fifth, the enterprises should establish internal distribution mechanisms for their gross earnings and also an evaluation system for measuring the investment benefits; they must ensure that the enterprises' funds should be used on the input in expanded reproduction and on other inputs of a rational nature.

3. Perfecting the market structure and ensuring the realization of the responsibility, power and interest of the state and the enterprises. In the reproduction operations, the completion of the responsibility, power and interest of the state and of the enterprises must, in the

final analysis, pass through the realization of the products and realization of the products must pass through the markets. This necessarily requires the establishment of a perfect market structure. First is the establishment of the market system itself. This includes not only the consumer goods market but also the means of production market, the money market and the labor market. Second, the state, using prices as the center, establishes a controlling system to regulate and control the markets. Third, establishment of a guiding system whereby the state can determine the strategic plans, industrial policies, technological policies and, through the currency policy and financial policy, guide the enterprises to operate in accordance with the general operational target of the national economy. Fourth, establishment of a microeconomic system which has the capacities of reacting sensitively to market signs and signals, and making self-regulation, self-development and self-transformation. Only when the macroeconomy and the microeconomy and the establishment of markets can coordinate with each other is it possible to form an integrated market system and achieve the reform target of the state guiding the markets and the markets regulating the enterprises. Nevertheless, the establishment and perfection of the market system requires a complex procedure. It is impossible to set up at the same pace the various categories of markets. How to systematically establish them still requires a further study.

Enforcement of the contracted operational responsibility system creates the conditions for the formation of the separate systems of responsibility, power and interest of the state and the enterprises. We should grasp this opportunity and, starting from the basic point of invigorating the enterprises, earnestly study the separate responsibility, power and interest systems of the state and of the enterprises in the operations of the national economy as well as the reciprocal relations of these two systems. On that basis we should then proceed systematically with the coordinated reform so as to speed up the progress of the reform of the economic structure of our country.

Nuclear Experts Propose Daya Bay Permit
OW311121 Beijing XINHUA in English 0911 GMT
31 Dec 87

[Text] Beijing, December 31 (XINHUA)—A group of Chinese nuclear safety experts has proposed that China's National Nuclear Safety Administration (NNSA) issue a construction permit for the Daya Bay nuclear power plant in Guangdong Province.

Eighteen experts put forward the suggestion at a recent meeting of the nuclear safety experts committee here after they examined the NNSA's safety evaluation on the preliminary safety analysis report presented by the Guangdong Nuclear Power Joint Venture Company Ltd (GNPJVC).

They expressed the view that the NNSA's evaluation of the GNPJVC's report is creditable, and the safety design of the plant is up to the country's nuclear safety standards as well as to the standards of similar nuclear power plants in France.

Last July, the GNPJVC submitted its construction application and preliminary safety analysis report on building the two 900 MW pressurized water reactors imported from France to the NNSA.

Over the past six months, the NNSA has mobilized 144 experts to examine the preliminary safety analysis report. It held two evaluation meetings in Paris and Beijing, and examined such fields as quality assurance, automatic-control instruments and meters, safety injection and containment spray systems, nuclear fuel, reactor core, auxiliary system and accident analysis.

Early last month, the NNSA sent its experts to reinspect the site of the plant.

The NNSA has required the GNPJVC to establish a quality control system and supervise the work of the construction contractors and equipment manufacturing contractors.

The GNPJVC has promised to undertake the design and construction in accordance with the mandatory safety standards.

So far, the GNPJVC has revised its quality assurance program and also submitted it and a report on construction and equipment manufacturing quality control to the NNSA.

Attending the meeting, which was presided over by noted nuclear expert Jiang Shengjie, were 18 experts in the fields of nuclear safety, nuclear engineering, nuclear power, environmental protection, seismology, radiation protection and nuclear medicine.

East Region

Jiangsu's Binhai County Elections Viewed *HK230245 Beijing RENMIN RIBAO in Chinese* 10 Dec 87 p 4

[Report: "Eighteen Candidates Lose in Town- and Township-Level Elections in Binhai County, Jiangsu"]

[Text] Jiangsu's Binhai County party committee Organization Department has actively enlightened those comrades who lost in town- and township-level elections this year. In a truth-seeking way, the Organization Department helped solve their ideological problems with good results.

In the town- and township-level elections in the county in question this year, 18 leading cadres at the township level lost. When the county party committee Organization Department discovered that some comrades were low in spirit, it persisted in giving positive guidance and helped give cadres who had lost a clear idea of the following points: The implementation of elections in which more than one candidate competes for every job naturally means that some people end up losing; it is the will of the delegates that determines who will win. One must have faith in the qualities of the majority of the delegates. The implementation of elections in which more than one candidate competes for every job embodies the principle of cadres being ready to accept a higher or lower post. Losing an election is just a normal phenomenon, and there is no need to feel ashamed of it. Through enlightenment, many comrades who failed began to feel better.

Some of the cadres who lost an election became rather radical in their speeches and actions. Generally, the comrades of the Organization Department refrained from criticizing them right away, but instead listened patiently to their views and demands and helped them deepen their understanding. These comrades went through an ideological change rather quickly because they were treated with heartfelt sincerity.

There was a lot of talk about those cadres who lost an election. Some comrades found it hard to bear. They were afraid of being the talk of the town, of being the center of speculation about why they had lost, of being sneered at and losing face, of being cold-shouldered, and of losing their authority. As soon as the elections were over, the Organization Department repeatedly propagated the significance of elections in which seats are open to more than one candidate and of cadres being ready to take a higher or lower post, and required a correct assessment of those comrades who had failed in the elections. Based on the actual conditions of those comrades who had lost an election, the various towns and townships made arrangements for rational division of labor and required cadres in various organs to support

those comrades who had lost in their work. Organizations did their best to explain the truth behind the gossip, and in some cases, people spreading such gossip were gravely criticized.

Jiangsu Leaders Attend Workers' Conference *OW302316 Nanjing Jiangsu Provincial Service* in Mandarin 2300 GMT 27 Dec 87

[Text] The Forth Congress of the Jiangsu Provincial Association of Philosophy and Social Sciences opened in Nanjing yesterday morning. Responsible members of the provincial party committee, the provincial Advisory Commission and the provincial people's government including Han Peixin, Sun Han, Sun Jiazheng, Hu Fuming, Hu Xijun, and Liu Lin and Honorary President of the provincial Academy of Social Sciences (Wang Haishu) attended the meeting.

Sun Jiazheng, deputy secretary of the provincial party committee, and Vice Governor Hu Xijun spoke at the meeting on behalf of the provincial party committee and the provincial people's government respectively.

Sun Jiazheng said: The practice of reform and the promotion of modernization have placed a greater demand on theoretical workers and have also provided them with an inexhaustible source for theoretical research. He hoped that the broad masses of theoretical workers in the province would clearly understand the general trend of our times, broaden their outlook, develop new concepts, and attend a new realm of thought under the guidance of the theory of the initial stage of socialism and the party's basic line. He also called on them to use the stand, viewpoint, and methods of Marxism-Leninism to creatively study and discuss new problems and experiences that have emerged in the course of reform and construction and make positive contributions to invigorating the economy and social development in this province.

Jiangxi People's Congress Session To Open *OW310113 Nanchang Jiangxi Provincial Service* in Mandarin 1100 GMT 26 Dec 87

[From the "Provincial Hookup" program]

[Text] According to our reporter Hu Guimin, the 3-day 27th meeting of the Standing Committee of the 6th provincial People's Congress closed this afternoon in the Jiangxi Guesthouse in Nanchang. It was decided that the First Session of the Seventh Jiangxi Provincial People's Congress be held on 26 January 1988 in Nanchang.

Liang Kaixuan, vice chairman of the Standing Committee of the provincial People's Congress, presided over the meeting today. Attending were Chairman Wang Shufeng and Vice Chairmen Wang Zemin, Peng Shengxi, and Liu

Bin. Present as observers were Wu Guanzheng, provincial governor; Li Ying, president of the provincial Higher People's Court; and Wang Shuheng, chief procurator of the provincial People's Procuratorate.

The meeting adopted a decision on the convocation of the First Session of the Seventh Jiangxi Provincial People's Congress. According to the decision, this session will be convened on 26 January 1988 in Nanchang. The meeting also made suggestions as to the major items on the agenda of this session.

The meeting adopted a decision to increase the number of deputies to the seventh provincial People's Congress. While the original number was 535, the decision raised the number to 595.

In addition, the meeting passed the Measures Governing the Preservation of Cultural Relics in Jiangxi Province, the Provisional Statute of Jiangxi Province for Work of Township and Town People's Governments, and a Decision of the Standing Committee of the Jiangxi Provincial People's on Questions Concerning the General Election of Deputies to County and Township People's Congresses.

The meeting also passed appointments and dismissal of personnel proposed by Wang Shufeng, chairman of the Standing Committee of the provincial People's Congress; and Wu Guanzheng, provincial governor; and by the provincial Higher People's Court and the provincial People's Procuratorate. These included the appointment of (Sheng Baozhang) as deputy secretary-general of the Standing Committee of the Jiangxi Provincial People's Congress, and (Li Hui) as deputy director of the General Office of the Standing Committee of the Jiangxi Provincial People's Congress. Besides, a decision was made to appoint (Wang Jiafu) director of the Jiangxi Provincial Department of Supervision.

Wu Guanzheng, provincial governor, and Wang Shufeng, chairman of the Standing Committee of the provincial People's Congress, addressed the meeting.

Also attending as observers were responsible persons from the departments concerned of the Standing Committee of the provincial People's Congress and the provincial people's government, the standing committees of people's congresses of cities directly under the province, and prefectural liaison offices of the Standing Committee of the provincial People's Congress.

Jiangxi Leaders Meet Women Representatives
OW310157 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 25 Dec 87

[Excerpts] This morning, leaders of the Jiangxi Provincial CPC Committee and the Jiangxi Provincial People's Government, including Wan Shaofen, Wu Guanzheng, and Liu Fangren, and member of the Central Advisory Committee Bai Dongcai, visited all representatives

attending the meeting of the Fifth Executive Committee of the Sixth Jiangxi Provincial Women's Federation at the hostel of the provincial military district. They expressed their respect and extended greetings to women cadres who have been working in the frontline for many years. They also encouraged representatives of the provincial Women's Federation to hold high the banner of the 13th CPC National Congress, strive to raise their political, ideological, cultural, and scientific quality, enhance their sense of urgency and responsibility while carrying out reform work, and make new contributions to the revitalization of Jiangxi's economy and raising women's social position. The 3-day meeting ended today. [passage omitted]

(Wang Taihua), member of the Standing Committee and head of the Propaganda Department of the provincial CPC Committee made a report on how to study the documents of the 13th CPC National Congress at the beginning of the meeting, which was presided over by (Chen Meifang), secretary of the party branch of the provincial Women's Federation, and (Duan Huolei), chairperson of the federation.

Shandong City Issues Land-Use Certificates
OW301108 Beijing XINHUA in English 0715 GMT 30 Dec 87

[Text] Jinan, December 30 (XINHUA)—Qingzhou in Shandong Province has become the first pilot city in China to register land use, according to the State Land Administration.

Altogether 13 state and collective enterprises, 22 villages and 500 farmers have received land-use certificates issued by the city government, local officials said today.

Never before had China registered land users or issued land-use certificates although it announced that all land was publicly owned far back as in the 1950s.

The State Land Administration decided to reintroduce the system of land registration to protect the legal right of the land owners and users. The administration says this will help to regulate transfer of land use and resolve disputes.

Liang Buting Attends Shandong Army Rally
SK310543 Jinan Shandong Provincial Service in Mandarin 2300 GMT 30 Dec 87

[Report by station reporter Yang Xiaofeng on a rally on supporting the Army and giving preferential treatment to servicemen's families as well as supporting the government and cherishing the people; jointly sponsored by Shandong Province, the Jinan Military Region, and Jinan City on 30 December—recorded]

[Excerpts] On the morning of 30 December the Zhenzhuquan auditorium of Jinan City was filled with a merry festive atmosphere, in which the province, the Jinan

Military Region, and Jinan City ceremoniously held a rally to support the Army and give preferential treatment to the servicemen's families as well as to support the government and cherish the people with the participation of more than 1,500 cadres, the masses, PLA representatives of commanders and fighters, and leading comrades from the party, government, and Army organs throughout Jinan City.

Attending the rally were leading comrades, including Liang Buting, secretary of the provincial party committee; Lu Maozeng, deputy secretary of the provincial party committee; Jiang Chunyun, deputy secretary of the provincial party committee and acting governor of the province; Li Jiulong, commander of the Jinan Military Region; Song Qingwei, political commissar of the Jinan Military Region; and Su Yiran, Rao Shoukun, and Chen Renhong, members of the Central Advisory Commission, who are currently in Jinan City.

Also attending the rally were responsible comrades from the provincial party committee, the provincial Advisory Commission, the provincial Discipline Inspection Commission, the provincial People's Congress Standing Committee, the provincial people's government, and the provincial CPPCC Committee, including Yang Yanyin, Cui Weilin, Cao Pengsheng, He Guoqiang, Wang Jinshan, Wang Chengwang, Wang Runzhai, Liu Zhongqian, Sai Feng, Wei Jianyi, Li Lin, (Zhu Yongshun), Sun Shuzhi, Li Farong, Li Zhen, Xiao Han, Xu Leijian, Zhang Zhusheng, Xu Jianchun, Lin Ping, Feng Lizu, Lu Hong, (Yan Junjun), Ma Zhongchen, Ma Shizhong, Ma Changgui, (Pan Juling), Song Yimin, Zhi Qimin, Li Zichao, Zhou Xingfu, Zhou Zhenxing, Zhang Weichen, Xu Wenyuan, Kong Lingren, (Xin Fangmin), Zheng Weimin, Jin Baozhen, Liu Yong, and Yang Da; Han Bangju, president of the provincial Higher People's Court; responsible comrades from the Jinan Military Region, the leading organs under the military region, the Discipline Inspection Commission and the Air Force units under the military region, and from the provincial military district, including Gu Hui, Zhang Zhijian, Lin Jigui, (Xing Futang), Xu Chunyang, Zhang Zonglin, (Yang Hanwen), Liu Yide, (Hao Baoqing), (Hai Renshan), (Yan Shoufang), (Sun Kai), and (Jing Guoqiang); responsible comrades from the provincial armed police forces, including (Li Fengming); responsible comrades of Jinan City, including (Zhai Yongguo); veteran comrades from the provincial level organs, including Zhao Lin, Wang Zhongyin, Zhang Jingtao, Wang Xing, and Wang Weiqun; and former leading comrades of the Jinan Military Region, including Zhang Feng, Ouyang Ping, Zhang Rushan, and Pan Qiqi.

He Guoqiang, secretary of the Jinan City party committee, presided over the rally at which Jiang Chunyun, deputy secretary of the provincial party committee and acting governor of the province, delivered a speech. [passage omitted]

During the rally Li Jiulong, commander of the Jinan Military Region also delivered a speech. [passage omitted]

Shanghai Mayor Talks to Writers, Artists
OW310517 Shanghai JIEFANG RIBAO in Chinese
26 Dec 87 p 1

[Excerpt] Jiang Zemin, secretary of the Shanghai municipal party committee and mayor, attended the Shanghai discussion meeting on literary and art creation yesterday afternoon, and had cheerful and humorous conversations with Shanghai writers and artists. Jiang Zemin enthusiastically informed participants at the meeting that the municipal party committee and government will resolutely and accurately implement the central authorities' principles and policies on literature and art, and, as usual, will provide a favorable environment for literary and art creation to everyone's benefit. He hoped the participants would cooperate to create outstanding works in celebration of the 40th National Day.

The discussion meeting on literary and art creation entered its fourth day yesterday. When the meeting engaged in exchanges of views in the afternoon, Jiang Zemin appeared among the writers and artists. After hearing speeches by He Luting, Bai Yang, Jiang Haiyang and others, he said: If we know or do not know something, we must say so truthfully. I am not an expert on literature and art, so I am here to have a heart-to-heart talk with you only as an enthusiast of literature and art. Carefree conversations began amid laughter. First, Jiang Zemin briefed the writers and artists on Shanghai's economic development in the course of reform and opening to the outside world, as well as the problems it is facing. Comrades attending the meeting were amused to hear this, saying a boss will always have to begin his talk with matters related to firewood, rice, oil, salt, sauce, vinegar, and tea. At the discussion meeting, writers and artists hoped that spiritual products be given more preferential treatment in terms of policy. Jiang Zemin said that the Shanghai municipal party committee and government are studying the issue of economic policy in the cultural realm. Jiang Zemin said: We have many difficulties, but we also have hope for the future. He noted that Shanghai has many talented people, its greatest asset, so has the literary and art front. [passage omitted]

Zhejiang People's Congress To Open 23 Jan
OW310133 Hangzhou Zhejiang Provincial Service
in Mandarin 1000 GMT 25 Dec 87

[Text] The plenary session of the 29th session of the 6th provincial People's Congress Standing Committee today decided that the 1st Session of the 7th Zhejiang Provincial People's Congress will be held in Hangzhou on 23 January 1988.

The major items on the agenda of this meeting are: Hearing and examining the work report of the provincial people's government, examining and approving the provincial economic and social development plan for 1988, examining and approving the implementation of the provincial financial budget for 1987 and the financial budget for 1988, hearing and deliberating the work report of the provincial People's Congress Standing Committee, hearing and deliberating the work report of the provincial Higher People's Court, the work report of the provincial People's Procuratorate, electing provincial deputies to the Seventh NPC, electing members of the seventh provincial People's Congress Standing Committee, electing the provincial governor, vice governors, president of the provincial Higher People's Court, and chief procurator of the provincial People's Procuratorate, and other matters.

Today's session also approved a report on the credentials of deputies to the Seventh Zhejiang Provincial People's Congress, and heard a provincial people's government report on the implementation of the Economic Contract Law in our province, a report on partial revisions of the financial budget for 1987, a report on investment in capital construction in 1987, a report on the provincial sports team's participation in the Sixth National Games, and a written report on the provincial government delegation's visit to Japan.

Vice Chairman Wu Zhichuan presided over the meeting. Chairman Li Fengping, and Vice Chairmen Chen Anyu, Shang Jingcai, Li Yuhua, Wang Qidong, and Zhu Zuxiang attended.

Vice Governor Shen Zulun attended the meeting as an observer.

Xue Ju at Zhejiang Stone-Laying Ceremony
OW302314 Hangzhou Zhejiang Provincial Service
in Mandarin 1000 GMT 25 Dec 87

[Excerpts] The foundation stone for the Zhejiang Revolutionary Martyrs Memorial Hall, long awaited by the people of the province, was laid at (Yunjishan), Hangzhou City today. [passage omitted]

Xue Ju, Chen Fawen, Wu Minda, Luo Dong, Tie Ying, Wang Qidong, Wang Jiayang, Li Qing, (Wu Renlian), and other major responsible persons of provincial party, government, and military organs and Hangzhou City attended the foundation-laying ceremony.

Central-South Region

Guangdong Issues Organizations Resolution
OW301138 Beijing XINHUA in English 0834 GMT
30 Dec 87

[Text] Guangzhou, December 30 (XINHUA)—All unofficial organizations in south China's Guangdong Province must register with the appropriate civil administration departments by next April, the provincial People's Congress announced today at the close of the 30th session of the sixth Standing Committee.

The congress said more than 1,000 unofficial mass organizations have been founded in the province since the Third Plenary Session of the 11th Central Committee of the Chinese Communist Party in 1978.

Those organizations must register before they have the right to conduct social activities or affairs according to their constitutions, the decision said adding that registered organizations will be protected by the state.

The meeting stressed registered organizations should abide by state laws and promote socialism.

Secret organizations are banned as are those engaged in activities detrimental to national unity, social stability and the state security, the meeting said.

Guan Guangfu on Hubei Economic Strategy
HK310741 Wuhan Hubei Provincial Service
in Mandarin 1000 GMT 27 Dec 87

[Excerpts] Provincial party committee Secretary Guan Guangfu stressed at the eighth enlarged plenary session of the fourth provincial party committee that it is essential to have a correct understanding of the provincial condition in deciding on economic development strategy.

Comrade Guan Guangfu said that the main idea in the province's economic development strategy can be summarized as follows: Proceed from the fact that Hubei is an important old base for industrial and agricultural production in the entire national economic pattern and a pivot in linking east with west and north with south; base efforts on the demand for economic returns and growth rate to be higher than the national average; focus on economic returns and persist in unifying returns, growth rate, and reserve strength and in unifying economic, social, and production returns; rely on reforms, transformation, and reorganization and joint efforts; invigorate communications, circulation, and telecommunications; speed up scientific progress, vigorously train talented people, and optimize the economic structure; combine selection of the best with support for the poor; maintain sustained, steady, and coordinated economic development; and accomplish ahead of time the goal of quadrupling national output and reaching a comfortably well-off living standard.

Guan Guangfu said that this main idea that we propose for the province's economic development strategy means mobilizing and organizing the people of the province to work with great efforts and strive for a future of great resurgence in central China. To accomplish this general idea, we must focus on grasping the following issues:

1. In all economic work, we must be sure to regard economic returns as the core and persist in unifying returns, growth rate, and reserve strength. [passage omitted]

2. Assign the primary position to developing science, technology, and education, and switch economic construction onto the track of relying on scientific progress and on improving the quality of the laborers. [passage omitted]

3. Strengthen the agricultural foundation, optimize the production structure, highlight the key points, and ensure coordinated development. In Hubei's industrial and agricultural structure, we must regard agriculture as the foundation, take full advantage of our strong point in heavy industry, and focus on improving quality and the depth of processing in further developing the light and textile industries.

Hubei is one of the country's main agricultural bases. We must resolutely implement the spirit of the 13th Party Congress. In the province's production structure, we must insist on strengthening the agricultural foundation and taking advantage of our strong points in grain and cotton. We must not waver on this at any moment. We must profoundly understand the strategic position of agriculture, ensure steady rise in grain output, and seriously change the stagnant situation in cotton production. We must further study and formulate policies and measures for mobilizing the enthusiasm of the cotton-growing peasants and areas.

In accordance with this demand, we must continue to increase investment in agriculture, readjust the rural production structure, and vigorously develop diversification and the township and town enterprises, so as to achieve all-round development of the rural economy.

We must attach great importance to exploiting the barren mountains and waters, promote the contract responsibility system, and give free rein to operations. The plains and the suburban areas must develop intensive farming and gradually develop things to a suitable scale.

Walking on the two legs of large, whole-people, and heavy industries and small, collective, and light industries represents the core issue in the province's industrial structure. We must take full advantage of our strong points in the large, whole-people, and heavy industries, without any wavering. We must strive to change the shortness of the leg of the small, collective, and light industries and try to make breakthroughs there.

4. Make rational arrangements for different areas and combine selection of the best with support for the poor. On the one hand we must step up the development of the central zone and boost its economic strength as rapidly as possible. On the other, we must vigorously support the poor areas and properly implement the policies already laid down for this work. [passage omitted]

We must bring into full play the role of Wuhan City as the province's key city. The city should have separate listing in the plans and be an economic entity; Wuhan

should rely on the whole province for its own development, and thereby stimulate the whole province. We should also step up the building of medium cities and regard these as the centers for the rough idea of forming four economic zones, each with its own characteristics; that is, the east Hubei economic zone centered on Huangshi and (word indistinct); the central-south Hubei economic zone centered on Shashi and Jingmen; the northwest Hubei economic zone centered on Xiangfan and Shiyan; and the southwest Hubei economic zone centered on Yichang.

5. Speed up the pace of opening up to the world and actively develop foreign economic relations and trade. Insufficient opening up to the world remains an outstanding weak link in the province's economic development, which we must work hard to resolve. We must eliminate the idea of not daring to use foreign investment. We must actively expand foreign ties in various respects, strive to improve the investment climate, be bold in using foreign investment, and strive to create a new situation in this respect in 2 or 3 years. We must actively develop tourism and expand labor services export, and thus increase our foreign exchange income from non-trade sources.

6. Strive to improve the returns on capital and strengthen the self-accumulation capacity. We must launch the double increase and double economy drive on an extensive scale and in a deep-going and sustained way. All economic work departments must tap internal potentials, improve returns, and increase accumulation. We must control the scale of capital construction and consumption funds, and avoid blind expansion. We must also provide guidance for consumption and eliminate extravagance, waste, and high consumption. Through the medium of savings, we should also convert some consumption funds into production funds. While stressing self-accumulation, we should also strive to improve the investment climate, expand lateral ties, and take advantage of the province's strong points in attracting investment from the state, other provinces, and foreign countries.

Guan Guangfu said that in carrying out the economic development strategy, judging by the economic development trends now and for a time to come, we should pay great attention to resolving the following problems that are constraining our efforts: 1) We must pay great attention to family planning; 2) we must resolutely implement the laws on land and forests, strictly enforce land management, and protect the forest resources; 3) stabilize market prices; 4) strengthen management and promote continuous improvement in management standards.

Southwest Region

Yang Rudai Views Party Building, Reforms
HK310247 Chengdu Sichuan Provincial Service
in Mandarin 0100 GMT 31 Dec 87

[Text] The provincial party committee has decided that the name of DANG DE JIANSHE [PARTY BUILDING], the committee's comprehensive organ, will be

changed to XUEXI YU JIANSHE [STUDY AND BUILDING] effective in January 1988. In the organ's issue No 1 of 1988, provincial party committee Secretary Yang Rudai answers questions on party building asked put by (Lu Qi), the chief editor. Yang Rudai said that it is essential to strengthen party building in the course of reform and opening up and to do a good job in building our party.

Comrade Yang Rudai said: I wish a happy new year to the comrades on all fronts throughout the province. The year 1988 is the first year after the 13th Party Congress. I hope that the comrades will make great and successful efforts throughout this year. Under the guidance of the party's basic line, they should strive to ensure the accomplishment of the task for the second stage of the economic development strategy, that is, to double gross domestic product again and to raise living standards to a comfortably well-off level by the end of the century.

On the party's ideological building in 1988, Comrade Yang Rudai said that it is necessary to focus on grasping the following aspect: We should get a good grasp of studying, publicizing, and implementing the 13th Party Congress documents. During our studies, we should be sure to focus on the key point, that is, the theory on the initial stage of socialism, and the party's basic line for this stage. Every party member and cadre must understand the national and provincial condition, always remember one core and two basic points, and also promote the democratic spirit and work hard and self-reliantly at their posts to build China into a rich, strong, democratic, and civilized socialist country.

Here, I want to stress that in grasping the focal point, it is necessary to highlight reform and opening up, which constitute the main topic. We are strengthening party building in the course of reform and opening up. On the one hand, our party members and cadres must actively plunge into reform and boldly become models in reform. On the other hand, we should also embark on a new path in party building in the new historical conditions. We must encourage the party organizations at all levels to explore in practice how to use the method of reform and the method of building systems to strengthen their own building.

Discussing the question of separating party and government, Yang Rudai said that the primary key to political structural reform is the separation of party and government. At present a few comrades are not too clear about the necessity and the goals of separation of party and government. In particular, they lack a profound idea of its advantages. Comrade Zhao Ziyang's speech at the preparatory meeting for the 7th Plenary Session of the 12th CPC Central Committee listed four major advantages of separating party and government and dealt with the issue extremely incisively. I hope that the leading comrades at all levels will seriously study this speech and ensure that their ideological understanding does not lag behind.

The 13th Party Congress report stated very clearly that in all reforms it is necessary to pay attention to experiments and encourage exploration. We must be sure to find practical and durable measures and methods and ensure that things are done in an orderly fashion. This is also the case with separation of party and government. With regard to the question of separating party and government at the township level, the work should currently be tackled along the lines of the method of three centralizations and three separations summed up at the provincial party committee's meeting on strengthening grass-roots organizational building.

I hope that following the in-depth study of the 13th Party Congress documents, every party member and cadre in the province will be able to spontaneously, actively, and happily plunge into this reform and smoothly fulfill this historic change.

North Region

Beijing Gives New Committee Members Status *SK300419 Beijing BEIJING RIBAO in Chinese* 18 Dec 87 p 1

[Text] The Sixth Beijing Municipal CPC Congress has elected the sixth municipal party committee which has been obviously improved in the "four fields" of average age, educational standard, specialized knowledge level, on the premise of upholding revolutionization.

Of the 63 newly elected members and alternate members of the sixth municipal party committee, a large number of them are middle-aged and young cadres who have contributed to conducting reform and opening to the outside world. Their average age is 51.5, a 5-year decrease over that of 1986. There are 41 staff members, of the sixth municipal party committee, who are 55 years old and account for 65 percent in the total number, and 22 staff members younger than 50 which account for 35 percent of the total number. The number of new members and alternate members reaches 37 and accounts for 59 percent in the total number of members and alternate members.

Educational standards and specialized knowledge levels of the staff members of the sixth municipal party committee are much better than those in the fifth municipal party committee. Of the 63 members and alternate members, 50 have an educational standard at or above the college or junior college level and account for 79.3 percent of the total number, a 16.3 percent increase over the 1986 figure. Of the 27 new members, 23 have an educational standard at or above the college or junior college level and account for 85 percent in the total number of new members. Of the 10 new alternate members, 9 have an educational standard at or above the college or junior college level and account for 90 percent in the total number of new alternate members.

The sixth municipal party committee's staff members include seven women comrades and two minority cadres.

Li Ximing Meets Beijing Congress Delegates
SK310037 Beijing BEIJING RIBAO in Chinese
18 Dec 87 p 1

[Text] On the morning of 17 December, Comrade Li Ximing made a special trip to the Air Force Guesthouse to visit 15 delegates specially invited to the sixth municipal party congress, and heard their opinions and suggestions on the work of Beijing Municipality.

These specially invited delegates were veteran comrades who had contributed much to Beijing Municipality. Amid a warm and enthusiastic atmosphere, Li Ximing sat among the delegates to exchange views with them on Beijing Municipality's reform, thanked the veteran comrades for their support for the work of the municipal party committee, and wished them good health and long life.

On the morning of 17 December, Comrade Li Ximing also attended a forum held for delegates from institutions of higher learning, who were attending the sixth municipal party congress.

Taiwan Compatriots Allowed Bank Accounts
*OW301206 Beijing XINHUA in English 1124 GMT
30 Dec 87*

[Text] Beijing, December 30 (XINHUA)—Visiting Taiwan compatriots are now allowed to open personal bank accounts in mainland banks, an official from the State Administration of Exchange Control said here today.

The official, in an interview with XINHUA, said that deposits in U.S. dollars, Deutsche marks, Japanese yen, Hong Kong dollars and French francs will all be acceptable. Deposits can also be remitted abroad, if necessary.

During their stay on the mainland, Taiwan compatriots can convert as many as 18 currencies into foreign exchange certificates issued by the Bank of China, the official said.

The foreign exchange certificates are designed to facilitate foreign visitors, Overseas Chinese, compatriots from Hong Kong and Macao, Taiwan compatriots and foreigners working in China for use at designated stores, hotels, clubs and foreign trade centers, he explained.

They can also be used to pay service fees, consign baggage or buy international and domestic travel tickets.

Foreign currencies can only be exchanged at the Bank of China, agents of the Bank of China or other banks approved by the State Administration of Exchange Control.

There is no limit on the amount to be exchanged and no tax will be collected. Remaining foreign exchange certificates can be re-exchanged for foreign currencies.

Travel permits or travel certificates for Taiwan compatriots issued by Chinese Embassies and consulates abroad, or by China Travel Services in Hong Kong, are required for exchanging foreign currencies, the official said.

Taiwan Trade Through Hong Kong Increases
*HK291443 Hong Kong ZHONGGUO TONGXUN SHE
in Chinese 1222 GMT 18 Dec 87*

[Report: "Big Increase in Mainland-Taiwan Trade Via Hong Kong"]

[Text] Hong Kong, 18 Dec (ZHONGGUO TONGXUN SHE)—Data released by the relevant department of the Hong Kong Government shows that, from January to October this year, entrepot trade through Hong Kong between Taiwan and the mainland increased by a big margin.

The figures show that in the first 10 months of this year, the volume of Taiwan's goods sold to mainland China was 7.5 billion Hong Kong dollars, an increase of 56 percent over the same period last year, while the volume of mainland China's goods sold to Taiwan was 1.9 billion Hong Kong dollars, an increase of over 100 percent over the same period last year. Taiwan chiefly exported textiles and machines to mainland China while the latter chiefly exported to Taiwan traditional Chinese medicine and herbal medicine, as well as local and special products.

Foreign Minister on GATT; ROK Ties
OW310109 Taipei CNA in English 1525 GMT
30 Dec 87

[Text] Taipei, Dec. 30 (CNA)—The Republic of China [ROC] is considering rejoining the General Agreement on Tariffs and Trade. Foreign Minister Ding Mou-shih said Wednesday at the Foreign Ministry's year-end press conference.

Although Taiwan is not a member nation of GATT, it has been conducting trade and other economic activities with foreign nations in accordance with GATT regulations over the past several years, Ding said.

"The nation will benefit from resuming its membership in GATT since it is now the world's 16th biggest trading nation," Ding said.

"The Foreign Ministry is now discussing with the Economics and Finance Ministries on the title the nation will use when entering GATT," he said.

Ding said that "China, Taiwan" is one of the possible titles being considered by the ministries.

However, he stressed that the Foreign Ministry will uphold the anti-communist national policy in striving to resume the nation's membership in GATT.

Commenting on recent developments in the relations between the Republic of China and (?South Korea), Ding said he believes the existing (?close) relations will not change in the near future.

There have been many reports recently that South Korean President-elect No Tae-u of the ruling Democratic Justice Party [DJP] is planning to visit the Chinese mainland, but (?the DJP) has openly denied the reports.

Ding said that No, during a visit to the ROC in his capacity as chairman of the Korean Olympic Committee three years ago, told him that ROC-ROK ties have been very close [words indistinct]. "Although there have been misunderstandings between the two nations, the friendly and cooperative relations will never be affected since both the ROC and the ROK have adopted the same fundamental [words indistinct] common goals," Ding quoted No as saying.

Ding said that because of its [words indistinct] environment, the ROK has launched an "open-door" policy and simultaneously maintained friendly relations with the ROC since 1973.

Direct Trade With USSR Not Planned
OW302325 Taipei CNA in English 1530 GMT
30 Dec 87

[Text] Taipei, Dec. 30 (CNA)—The government of the Republic of China [ROC] has no plan to open direct trade with the Soviet Union and Albania, Vincent C. Siew, director general of the Board of Foreign Trade [BOFT], said Wednesday.

Siew, speaking at a BOFT year-end press conference, said that although domestic entrepreneurs have suggested that the government lift the ban on direct trade with the Soviets and the Albanians, the ROC Government has not considered allowing direct business contact with the two nations.

He said that in the nation's current trade with the nine East European countries, ROC businessmen are allowed to deal directly with all nations other than the Soviet Union and Albania.

Currently, domestic exporters must trade indirectly with traders of the two nations and all cargoes and shipping documents must be sent to buyers through third countries.

Chiang on Long-Term Development of Economy
OW301548 Taipei CHINA POST in English 24 Dec 87
p 11

[Text] President Chiang Ching-kuo said yesterday the only way to progress and development on Taiwan is to overcome natural limitations through coordination among government units and emphasis on long-term plans.

Chiang was addressing a meeting of the ruling Kuomintang's Standing Central Committee.

He said that on Taiwan, where there is "more people than land," the nation must emphasize coordination and long-term plans in social and cultural construction and "should solve problems with scientific methods."

Commenting on the development of Taiwan, Chiang said success depends on man's willpower.

He said the Pescadores Islands (Penghu) used to be a poor place, but through a hard struggle local inhabitants have not only raised their own living standards but are also exporting native products to Taiwan proper.

Premier Yu Discusses Trade Balance With U.S.
*OW300327 Taipei CNA in English 0307 GMT
30 Dec 87*

[Text] Taipei, Dec. 30 (CNA)—In addition to the 40 percent appreciation of the new Taiwan dollar against the U.S. dollar, the Republic of China [ROC] has taken many concrete measures in an effort to balance its trade with the United States, Premier Yu Kuo-hua said Tuesday.

Yu made the statement when he received Senator Lloyd Bentsen, chairman of the U.S. Senate Finance Committee, at the Executive Yuan.

When compared with the Hong Kong, Singapore and South Korea currencies, the NT dollar has seen the most drastic appreciation against the greenback, Yu said.

In addition, the ROC has taken a series of measures, including cutting customs tariffs, opening local markets, and increasing purchases from the U.S., in order to reduce its trade surplus with the U.S., he said.

The premier stressed that the ROC Government has paid great attention to the trade problem and will do its best to cooperate with the U.S. Government in solving the problem.

As to the ROC's massive foreign exchange reserves [forex], Yu pointed out that the over-concentration of foreign exchange reserves in the Central Bank of China and the influx of speculative money, which accounts for half of the forex reserves, are the major reasons that the ROC reserves have risen to such a high level in such a short time.

"The ROC has also suffered considerable forex losses because of the depreciation of the U.S. dollar," he said.

Sen. Bentsen expressed his appreciation to Yu for the ROC's improved protection of intellectual property rights. He said he was also deeply impressed by the ROC's successful control of inflation.

In another meeting with Economics Minister Lee Ta-hai, Sen. Bentsen expressed the U.S. hope that the parity rate of the NT dollar against the U.S. dollar will be maintained at a "reasonable level."

Bentsen, also vice chairman of the Senate-House Committee on Trade Bills, is a major sponsor in the legislation of the omnibus trade bill. He arrived in Taipei Tuesday morning for a short visit.

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